



Mary Taylor, CPA  
Auditor of State



VILLAGE OF ADA  
HARDIN COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Ada  
Hardin County  
115 W. Buckeye Avenue  
P.O. Box 292  
Ada, Ohio 45810

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Ada, Hardin County (the Village), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Ada, Hardin County, Ohio, as of December 31, 2009 and 2008, and the respective changes in cash financial position thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis and the respective budgetary comparisons for the General Fund, Street Maintenance and Repair Fund, Permissive Motor Vehicle Tax Fund and Swimming Pool Reserve Fund for the Year Ended December 31, 2009 and respective budgetary comparison for the General Fund, Street Maintenance and Repair Fund, and Swimming Pool Reserve Fund for the Year Ended December 31, 2008, are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

August 11, 2010

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(UNAUDITED)**

This discussion and analysis of the Village of Ada financial performance provides an overall review of the Village's financial activities for the fiscal year ended December 31, 2009, within the limitations of the cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights are as follows:

- In total, net assets decreased \$374,896 or down 12 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Construction Fund, which decreased its carryover balance by \$564,681 because most of Phase 1 of the Buckeye Avenue Project was completed in 2009.
- The Village's general receipts are primarily income taxes and local governmental funds. These receipts represent 59 percent of the total governmental activities cash received during the year. Income tax receipts for 2009 were down 3 percent due to the economy.
- The general fund decreased its carryover by \$178,200 or 35 percent for the year. This is a result of local governmental funds being decreased by the state and the decline in interest rates due to the economy.
- The water operation, one of the Village's business-type activities, increased its carryover by 161 percent for the year. Receipts exceeded expenditures by \$127,051. This was a result from increasing the water rates last year and cutting back on expenditures.
- The sewer operation, one of the Village's business-type activities, increased its carryover by 133 percent for the year. Receipts exceeded expenditures by \$122,232. This was a result from increasing the sewer rates last year while cutting back on expenditures.
- The Sewer Debt Retirement operation, one of the Village's business-type activities, decreased its carryover by \$12,359 or by 11%. Rates have been adjusted.

**Using the Basic Financial Statements**

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

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

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(Continued)**

**Basis of Accounting**

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

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

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

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



**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(Continued)**

**Reporting the Government's Most Significant Funds**

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

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

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

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

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2009 and 2008 on a cash basis:

**(Table 1)  
Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Assets:</b>						
Cash and Cash Equivalents	\$1,523,441	\$2,168,560	\$1,123,154	\$852,931	\$2,646,595	\$3,021,491
Total Assets	1,523,441	2,168,560	1,123,154	852,931	2,646,595	3,021,491
<b>Net Assets:</b>						
<b>Restricted for:</b>						
Debt Service			214,667	219,829	214,667	219,829
Capital Projects	195,024	759,705			195,024	759,705
Other Purposes	991,428	893,666	908,487	633,102	1,899,915	1,526,768
Unrestricted	336,989	515,189			336,989	515,189
Total Net Assets	<u>\$1,523,441</u>	<u>\$2,168,560</u>	<u>\$1,123,154</u>	<u>\$852,931</u>	<u>\$2,646,595</u>	<u>\$3,021,491</u>

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(Continued)**

As mentioned previously, net assets decreased \$374,896 or 12 percent during 2009. The primary reasons contributing to the decrease in cash balances are as follows:

- There was a decline in Income Tax Collections down by \$27,709 or 3%.
- Local governmental funds were down by \$13,692 or 14%.
- Inheritance Tax was down by \$59,748 or 93%.
- Interest income was down by \$45,009 or 44%.

Table 2 reflects the changes in net assets in 2009 and 2008.

**(Table 2)  
Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Receipts:</b>						
<b>Program Receipts:</b>						
Charges for Services and Sales	\$ 189,726	\$ 179,892	\$1,853,459	\$1,736,032	\$2,043,185	\$1,915,924
Operating Grants and Contributions	124,471	128,497			124,471	128,497
Capital Grants and Contributions	143,249	151,719			143,249	151,719
<b>Total Program Receipts</b>	<b>457,446</b>	<b>460,108</b>	<b>1,853,459</b>	<b>1,736,032</b>	<b>2,310,905</b>	<b>2,196,140</b>
<b>General Receipts:</b>						
Property and Other Local Taxes	1,064,322	1,089,584			1,064,322	1,089,584
Grants and Entitlements Not Restricted to Specific Programs	118,992	198,591			118,992	198,591
Note Proceeds		900,000				900,000
Interest	62,875	107,884			62,875	107,884
Miscellaneous	106,626	102,825	31,062	24,231	137,688	127,056
<b>Total General Receipts</b>	<b>1,352,815</b>	<b>2,398,884</b>	<b>31,062</b>	<b>24,231</b>	<b>1,383,877</b>	<b>2,423,115</b>
<b>Total Receipts</b>	<b>1,810,261</b>	<b>2,858,992</b>	<b>1,884,521</b>	<b>1,760,263</b>	<b>3,694,782</b>	<b>4,619,255</b>
<b>Disbursements:</b>						
General Government	246,652	277,442			246,652	277,442
Security of Persons and Property	686,165	696,303			686,165	696,303
Public Health Services	21,368	21,368			21,368	21,368
Leisure Time Activities	98,580	90,704			98,580	90,704
Community Environment	9,822	13,395			9,822	13,395
Basic Utilities			1,101,247	1,280,077	1,101,247	1,280,077
Transportation	542,512	444,259			542,512	444,259
Capital Outlay	734,853	329,516	56,235	79,167	791,088	408,683
Principal Retirement	61,183	72,674	311,685	287,783	372,868	360,457
Interest and Fiscal Charges	54,245	24,149	101,654	118,532	155,899	142,681
Other			43,477	46,247	43,477	46,247
<b>Total Disbursements</b>	<b>2,455,380</b>	<b>1,969,810</b>	<b>1,614,298</b>	<b>1,811,806</b>	<b>4,069,678</b>	<b>3,781,616</b>
Excess (Deficiency) Before Transfers	(645,119)	889,182	270,223	(51,543)	(374,896)	837,639
Transfers		(11,033)		11,033		
<b>Increase (Decrease) in Net Assets</b>	<b>(645,119)</b>	<b>878,149</b>	<b>270,223</b>	<b>(40,510)</b>	<b>(374,896)</b>	<b>837,639</b>
Net Assets, January 1	2,168,560	1,290,411	852,931	893,441	3,021,491	2,183,852
<b>Net Assets, December 31</b>	<b>\$1,523,441</b>	<b>\$2,168,560</b>	<b>\$1,123,154</b>	<b>\$ 852,931</b>	<b>\$2,646,595</b>	<b>\$3,021,491</b>

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(Continued)**

Program receipts represent 63 percent of total receipts and are primarily comprised of utility charges for services, restricted grants, intergovernmental receipts such as motor vehicle license and gas tax money, and building permits and inspection fees.

General receipts represent 37 percent of the Village's total receipts, and of this amount, 77 percent are local taxes. Unrestricted grants make up 9 percent of general receipts.

Disbursements for General Government represent the overhead costs of running the Government. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing.

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

**Governmental Activities**

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for capital outlay, transportation and security of persons and property, which account for 30, 22 and 28 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 10 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost of Services 2009</b>	<b>Net Cost of Services 2009</b>	<b>Total Cost of Services 2008</b>	<b>Net Cost of Services 2008</b>
General Government	\$ 246,652	(\$ 170,345)	\$ 277,442	(\$ 226,204)
Security of Persons and Property	686,165	(667,139)	696,303	(678,406)
Public Health Services	1,368	(21,368)	21,368	(21,368)
Leisure Time Activities	98,580	(49,778)	90,704	(34,345)
Community Environment	9,822	(9,822)	13,395	(13,395)
Basic Utilities				
Transportation	542,512	(390,595)	444,259	(279,222)
Capital Outlay	734,853	(591,604)	329,516	(177,797)
Principal Retirement	61,183	(43,038)	72,674	(54,816)
Interest and Fiscal Charges	54,245	(54,245)	24,149	(24,149)
<b>Total Expenses</b>	<b>\$2,435,380</b>	<b>(\$1,997,934)</b>	<b>\$1,969,810</b>	<b>(\$1,509,702)</b>

The dependence upon property and income tax receipts is apparent as 82 percent of governmental activities are supported through these general receipts.

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(Continued)**

**Business-type Activities**

Revenues were adequate to cover the costs to operate the Business Activities. However, some individual utilities continued to have costs greater than revenues. The Village will continue to adjust rates so that each utility collects enough revenue to off-set costs.

**The Village's Funds**

The water fund had receipts of \$672,197 and disbursements of \$545,146. The fund balance of the Water Fund increased \$127,051. The sewer fund had receipts of \$477,057 and disbursements of \$354,825. The fund balance of the sewer fund increased \$122,232. The storm sewer fund had receipts of \$36,467 and disbursements of \$38,245. The fund balance of the storm sewer fund decreased \$1,778. The sewer reserve fund had receipts of \$15,000 and disbursements of \$17,645. The fund balance of the sewer reserve fund decreased \$2,645. The sewer debt retirement fund had receipts of \$283,115 and disbursements of \$295,474. The fund balance of the Sewer debt retirement fund decreased \$12,358.

**General Fund Budgeting Highlights**

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

During 2009, the Government amended its budget several times to reflect changing circumstances. Final budgeted receipts were slightly higher than the original budgeted receipts. Final budgeted receipts were 10% higher than actual receipts. Although receipts failed to live up to expectations, appropriations were not reduced. Actual expenditures were less than appropriations.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure. The Village has acquired a software package to accomplish this task and is in the process of entering the necessary information. It was anticipated that this program would be fully functional for 2009 but reductions in staff delayed the implementation. This projected has been delayed until such time it can be completed.

**Debt**

At December 31, 2009, the outstanding debt was \$3,990,205 issued for improvements to buildings and structures, and \$141,969 in capital leases for equipment. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

**Current Issues**

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. To continue to promote our current level of services additional revenue must be obtained.

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED  
(Continued)**

**Contacting the Village's Financial Management**

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

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**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2009**

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,523,441	\$1,123,154	\$2,646,595
Total Assets	<u>1,523,441</u>	<u>1,123,154</u>	<u>2,646,595</u>
<b>Net Assets:</b>			
<b>Restricted for:</b>			
Capital Projects	195,024		195,024
Debt Service		214,667	214,667
Other Purposes	991,428	908,487	1,899,915
Unrestricted	336,989		336,989
Total Net Assets	<u>\$1,523,441</u>	<u>\$1,123,154</u>	<u>\$2,646,595</u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Program Cash Receipts</u>			
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
General Government	\$246,652	\$76,307		
Security of Persons and Property	686,165	19,026		
Public Health Services	21,368			
Leisure Time Activities	98,580	48,802		
Community Environment	9,822			
Transportation	542,512	27,446	\$124,471	
Capital Outlay	734,853			\$143,249
<b>Debt Service:</b>				
Principal Retirement	61,183	18,145		
Interest and Fiscal Charges	54,245			
<b>Total Governmental Activities</b>	<u>2,455,380</u>	<u>189,726</u>	<u>124,471</u>	<u>143,249</u>
<b>Business Type Activity:</b>				
Sewer	354,825	473,803		
Sewer Debt Retirement	295,474	283,115		
Sewer Improvements	29,696	40,205		
Sewer Reserve	17,644	15,000		
Solid Waste & Refuse	164,919	172,784		
Storm Sewer Utility	38,245	36,467		
Utility Deposit	43,477	42,899		
Water	545,147	644,389		
Water Debt Retirement	62,600	69,797		
Water Reserve	62,271	75,000		
<b>Total Business Type Activities</b>	<u>1,614,298</u>	<u>1,853,459</u>		
<b>Total</b>	<u>\$4,069,678</u>	<u>\$2,043,185</u>	<u>\$124,471</u>	<u>\$143,249</u>

**General Receipts**

**Property Taxes Levied for:**

General Purposes  
Municipal Income Taxes - General Purposes  
Municipal Income Taxes - Swimming Pool  
Grants and Entitlements not Restricted to Specific Programs  
Interest  
Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

*See accompanying notes to the basic financial statements.*



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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
(\$170,345)		(\$170,345)
(667,139)		(667,139)
(21,368)		(21,368)
(49,778)		(49,778)
(9,822)		(9,822)
(390,595)		(390,595)
(591,604)		(591,604)
(43,038)		(43,038)
(54,245)		(54,245)
<u>(1,997,934)</u>		<u>(1,997,934)</u>
	\$118,978	118,978
	(12,359)	(12,359)
	10,509	10,509
	(2,644)	(2,644)
	7,865	7,865
	(1,778)	(1,778)
	(578)	(578)
	99,242	99,242
	7,197	7,197
	12,729	12,729
	<u>239,161</u>	<u>239,161</u>
<u>(1,997,934)</u>	<u>239,161</u>	<u>(1,758,773)</u>
43,537		43,537
889,560		889,560
131,225		131,225
118,992		118,992
62,875		62,875
106,626	31,062	137,688
<u>1,352,815</u>	<u>31,062</u>	<u>1,383,877</u>
(645,119)	270,223	(374,896)
<u>2,168,560</u>	<u>852,931</u>	<u>3,021,491</u>
<u>\$1,523,441</u>	<u>\$1,123,154</u>	<u>\$2,646,595</u>

VILLAGE OF ADA  
HARDIN COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
December 31, 2009

	<u>General</u>	<u>Street Maintenance and Repair</u>	<u>Permissive Moter Vehicle Tax</u>	<u>Swimming Pool Reserves</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>							
Equity in Pooled Cash and Cash Equivalents	\$336,989	\$437,653	\$184,980	\$354,504	\$195,024	\$14,291	\$1,523,441
Total Assets	<u>336,989</u>	<u>437,653</u>	<u>184,980</u>	<u>354,504</u>	<u>195,024</u>	<u>14,291</u>	<u>1,523,441</u>
<b>Fund Balances:</b>							
<b>Reserved:</b>							
Reserved for Encumbrances	11,292	1,420			205,265		217,977
<b>Unreserved:</b>							
<b>Undesignated (Deficit), Reported in:</b>							
General Fund	325,697						325,697
Special Revenue Funds		436,233	184,980	354,504		14,291	990,008
Capital Projects Funds					(10,241)		(10,241)
Total Fund Balances	<u>\$336,989</u>	<u>\$437,653</u>	<u>\$184,980</u>	<u>\$354,504</u>	<u>\$195,024</u>	<u>\$14,291</u>	<u>\$1,523,441</u>

See accompanying notes to the basic financial statements.

VILLAGE OF ADA  
HARDIN COUNTY

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Street Maintenance and Repair	Permissive Motor Vehicle Tax	Swimming Pool Reserves	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>							
Property and Other Local Taxes	\$933,097		\$14,082	\$125,800		\$5,425	\$1,078,404
Charges for Services	11,064	\$1,800				48,802	61,666
Fines, Licenses and Permits	95,833						95,833
Intergovernmental	118,993	115,150			\$143,249	9,320	386,712
Special Assessments	18,145						18,145
Interest	46,160	11,848	4,562			305	62,875
Miscellaneous	95,860	10,010				756	106,626
Total Receipts	<u>1,319,152</u>	<u>138,808</u>	<u>18,644</u>	<u>125,800</u>	<u>143,249</u>	<u>64,608</u>	<u>1,810,261</u>
<b>Disbursements:</b>							
<b>Current:</b>							
General Government	241,543					5,109	246,652
Security of Persons and Property	686,165						686,165
Public Health Services	21,368						21,368
Leisure Time Activities						98,580	98,580
Community Environment	3,171					6,651	9,822
Transportation	441,094	97,581				3,837	542,512
Capital Outlay	26,923				707,930		734,853
<b>Debt Service:</b>							
Principal Retirement	39,814	21,369					61,183
Interest and Fiscal Charges	36,981	17,264					54,245
Total Disbursements	<u>1,497,059</u>	<u>136,214</u>			<u>707,930</u>	<u>114,177</u>	<u>2,455,380</u>
Excess of Receipts Over (Under) Disbursements	<u>(177,907)</u>	<u>2,594</u>	<u>18,644</u>	<u>125,800</u>	<u>(564,681)</u>	<u>(49,569)</u>	<u>(645,119)</u>
<b>Other Financing Sources (Uses):</b>							
Transfers In						21,593	21,593
Transfers Out	(293)			(21,300)			(21,593)
Total Other Financing Sources (Uses)	<u>(293)</u>			<u>(21,300)</u>		<u>21,593</u>	
Net Change in Fund Balances	(178,200)	2,594	18,644	104,500	(564,681)	(27,976)	(645,119)
Fund Balances Beginning of Year	515,189	435,059	166,336	250,004	759,705	42,267	2,168,560
Fund Balances End of Year	<u>\$336,989</u>	<u>\$437,653</u>	<u>\$184,980</u>	<u>\$354,504</u>	<u>\$195,024</u>	<u>\$14,291</u>	<u>\$1,523,441</u>

See accompanying notes to the basic financial statements.

VILLAGE OF ADA  
HARDIN COUNTY

STATEMENT OF FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Water</u>	<u>Water Reserve</u>	<u>Sewer</u>	<u>Sewer Reserve</u>	<u>Sewer Debt Retirement</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$206,695	\$198,601	\$213,874	\$132,837	\$100,604	\$270,543	\$1,123,154
Total Assets	<u>206,695</u>	<u>198,601</u>	<u>213,874</u>	<u>132,837</u>	<u>100,604</u>	<u>270,543</u>	<u>1,123,154</u>
<b>Net Assets:</b>							
Unrestricted	<u>\$206,695</u>	<u>\$198,601</u>	<u>\$213,874</u>	<u>\$132,837</u>	<u>\$100,604</u>	<u>\$270,543</u>	<u>\$1,123,154</u>

See accompanying notes to the basic financial statements.

VILLAGE OF ADA  
HARDIN COUNTY

STATEMENT OF CASH RECEIPTS,  
DISBURSEMENTS AND CHANGES IN FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Water	Water Reserve	Sewer	Sewer Reserve	Sewer Debt Retirement	Other Enterprise Funds	Total Enterprise Funds
<b>Operating Receipts:</b>							
Charges for Services	\$644,389	\$75,000	\$473,803	\$15,000	\$283,115	\$362,152	\$1,853,459
Other Operating Receipts	27,808		3,254				31,062
Total Operating Receipts	<u>672,197</u>	<u>75,000</u>	<u>477,057</u>	<u>15,000</u>	<u>283,115</u>	<u>362,152</u>	<u>1,884,521</u>
<b>Operating Disbursements:</b>							
Billing - Water	544,080						544,080
Billing - Sewers			354,825				354,825
Billing - Storm Sewers						7,723	7,723
Billing - Refuse Collection and Disposal						164,920	164,920
Other Sanitary Sewers and Sewage						29,696	29,696
Other Basic Utility Service						43,477	43,477
Capital Outlay	1,066	37,527		17,645			56,238
Total Operating Disbursements	<u>545,146</u>	<u>37,527</u>	<u>354,825</u>	<u>17,645</u>		<u>245,816</u>	<u>1,200,959</u>
Operating Income (Loss)	127,051	37,473	122,232	(2,645)	283,115	116,336	683,562
<b>Non-Operating (Disbursements):</b>							
Principal Payments		(3,872)			(232,669)	(75,144)	(311,685)
Interest and Fiscal Charges		(20,871)			(62,805)	(17,978)	(101,654)
Total Non-Operating (Disbursements)		<u>(24,743)</u>			<u>(295,474)</u>	<u>(93,122)</u>	<u>(413,339)</u>
Change in Net Assets	127,051	12,730	122,232	(2,645)	(12,359)	23,214	270,223
Net Assets Beginning of Year	<u>79,644</u>	<u>185,871</u>	<u>91,642</u>	<u>135,482</u>	<u>112,963</u>	<u>247,329</u>	<u>852,931</u>
Net Assets End of Year	<u>\$206,695</u>	<u>\$198,601</u>	<u>\$213,874</u>	<u>\$132,837</u>	<u>\$100,604</u>	<u>\$270,543</u>	<u>\$1,123,154</u>

See accompanying notes to the basic financial statements.

VILLAGE OF ADA  
HARDIN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2009

	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$71,481
Total Assets	<u>71,481</u>
<b>Net Assets:</b>	
Unrestricted	<u><u>\$71,481</u></u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**1. REPORTING ENTITY**

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

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

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village.

The Village of Ada has no component units.

**C. Joint Ventures**

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

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

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

**2. Fund Financial Statements**

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

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



**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

**B. Fund Accounting**

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

**1. Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Permissive Motor Vehicle License Fund, Swimming Pool Reserve Fund, Street Maintenance and Repair Fund and Capital Projects Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Street Maintenance and Repair Fund and the Permissive Motor Vehicle Tax Fund are use to account for resources restricted to repair and maintenance of Village streets. The Swimming Pool Reserve Fund is use to fund operations of the Village pool.

**2. Proprietary Funds**

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

**Enterprise Funds** - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water Operating, Water Reserve, Sewer Operating, Sewer Reserve and Sewer Debt Retirement Funds. The Water Operating Fund accounts for the provision of water to the residents and commercial users located within the Village. The Sewer Operating Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. The remaining major Enterprise Funds account for reserves related to these utilities.

**3. Fiduciary Funds**

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

**C. Basis of Accounting**

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

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

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

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

**E. Cash and Investments**

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During the year, the Village invested in CDARS through Liberty National.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2009 were \$46,160 which includes \$38,365 assigned from other funds.

VILLAGE OF ADA  
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)

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

**F. Restricted Assets**

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

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Accumulated Leave**

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

**J. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

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

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for maintenance of roads.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. Net assets restricted for other purposes include resources restricted for all special revenue accounts.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

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

**M. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**N. Interfund Transactions**

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

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

**3. COMPLIANCE**

The Village failed to certify all expenditures prior to obligation which violated Ohio Rev. Code Section 5705.41(D) and allocate interest to applicable funds in accordance with Article XII, Section 5a, of the Ohio Constitution.

**4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Street Maintenance and Repair Fund, Permissive Motor Vehicle Tax Fund and Swimming Pool Reserve Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The difference(s) between the budgetary basis and the modified cash basis is (are) outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

**5. DEPOSITS AND INVESTMENTS**

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

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

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

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

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**A. Deposits**

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. The Village's deposits did not exceed FDIC insurance coverage since it has temporarily been raised to \$250,000 until December 31, 2009.

**B. Investments**

As of December 31, 2009, the Village had the following investments:

	<u>Market Value</u>	<u>Maturity</u>
CDARS	\$2,248,406	Less than one year

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

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

**6. INCOME TAXES**

The Village levies a 1.15 percent income tax whose proceeds are placed into the General Fund, Pool Fund, and Pool Reserve Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the 1.15 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**7. PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2009 represent the collection of 2008 taxes. Real property taxes received in 2009 were levied after October 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established

Public utility property tax receipts received in 2009 represent the collection of 2008 taxes. Public utility real and tangible personal property taxes received in 2009 became a lien on December 31, 2008, were levied after October 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2009 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2009 were levied after October 1, 2008, on the true value as of December 31, 2008. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2009, was \$69.75 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

**Real Property - 2008 Valuation:**

Residential/Agricultural	\$37,311,980
Commercial	6,920,990
Industrial	1,768,060
Public Utilities	2,380

**Tangible Personal Property – 2008 Valuation:**

General	15,960
Public Utilities	1,965,710
Total Valuation	<u>\$47,985,080</u>

**8. RISK MANAGEMENT**

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

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

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

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**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, 2008, 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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**B. Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

	<b>2008</b>	<b>2007</b>
Assets	\$35,769,535	\$37,560,071
Liabilities	(15,310,206)	(17,340,825)
Net Assets	\$20,459,329	\$20,219,246

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$63,000.

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

<b>Contributions to PEP</b>	
2008	\$65,572
2009	\$64,475

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of 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.



**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**Funding Policy** – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan. The 2009 member contribution rates were 10.0% for members in state and local classifications. The 2009 employer contribution rate for state and local employers was 14.0% of covered payroll. For 2009, a portion of the Village's contribution equal to 7 percent of covered payroll was allocated to fund the postemployment health care plan from January 1 through March 31 and 5.5 percent was allocated from April 1 through December 31. The Village's contributions for pension obligations to OPERS for the years ended December 31, 2009 and 2008 were \$51,874 and \$43,834, respectively; 100% has been contributed for both years.

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

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

**Funding Policy** - Plan members are required to contribute 10.0 percent of their annual covered salary, employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters, 12.75% and 17.25% respectively for pension obligations. For 2009, a portion of the Village's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment health care plan. The Village's contributions to OP&F for pension obligations were \$36,052 and \$34,809 for the years ended December 31, 2009 and 2008, respectively; 100 percent has been contributed for 2009 and 2008.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**10. POST EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

**Plan Description** – OPERS administers three separate pension plans: The Traditional Pension plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including the postemployment healthcare.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**Funding Policy** – The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

The post employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 7.00% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2009 and 2008 were \$37,567 and \$43,834, respectively. The full amount has been contributed for both years.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**10. POST EMPLOYMENT BENEFITS (Continued)**

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

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

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2009, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and 401(h).

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

The Village's contributions to OP&F for the years ending December 31, 2009 and 2008 for police were \$55,138 and \$53,237 of which \$19,086 and \$18,428 were allocated to the healthcare plan.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**11. DEBT**

A summary of the note transactions for the year ended December 31, 2009, follows:

	<b>Interest Rate</b>	<b>Balance 12/31/2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/2009</b>
Ohio Water Development Authority (1989)	2.20%	\$ 537,668		\$ 58,190	\$ 479,478
Ohio Water Development Authority (1996)	7.89%	355,028		92,295	262,733
Ohio Water Development Authority (2000)	2.20%	1,222,365		82,183	1,140,182
Ohio Waterworks Improvement Bonds (1993)	6.00%	210,000		50,000	160,000
General Obligation Note – (2006)	5.31%	112,712		11,700	101,012
General Obligation Note – (2008)	3.36%	900,000			900,000
General Obligation Note – (2006)	3.93%	225,300		28,500	196,800
Streetscape Bonds – (2004)	4.50%	800,000		50,000	750,000
Total Principal Outstanding:		<u>\$4,363,073</u>		<u>\$372,868</u>	<u>\$3,990,205</u>

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

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

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

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

A General Obligation Note was issued in 2008 to purchase 119 W. Buckeye and 114 W. Buckeye Street properties which are associated with the Buckeye Street Project Phase 1. The Village entered into purchase agreements with the owners of the aforementioned Buckeye Street properties which require annual payments to the property owners; the bank loan is being utilized to finance the required payments. This is an interest only loan with a balloon payment in 2010. This will need to be converted into a General Obligation Note or Bond.

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

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

<b>Year</b>	<b>Streetscape Bonds</b>	<b>OWDA Loans</b>	<b>Ohio Water Works System</b>	<b>General Obligation Note - 2008</b>	<b>General Obligation Note - 2006</b>	<b>General Obligation Note - 2006</b>
2010	\$ 88,600	\$ 301,428	\$ 59,600	\$915,120	\$ 37,143	\$ 17,498
2011	86,125	302,314	61,600		37,162	17,440
2012	88,650	243,117	58,300		37,138	17,444
2013	85,950	183,459			37,163	17,511
2014	83,250	178,327			37,139	17,439
2015-2019	290,950	717,384			37,061	35,096
2020-2024	292,091	217,254				
Totals	<u>\$1,015,616</u>	<u>\$2,143,283</u>	<u>\$179,500</u>	<u>\$915,120</u>	<u>\$222,807</u>	<u>\$122,429</u>

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**11. DEBT (Continued)**

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2009, were an overall debt margin of \$4,370,133 with no unvoted debt margin.

**12. LEASES**

The Village leases vehicles and other equipment under non-cancelable leases. The Village disbursed \$70,518.85 to pay lease costs for the year ended December 31, 2009. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 64,292
2011	42,388
2012	35,289
Subsequent	
Total	<u><u>\$141,969</u></u>

**13. INTER FUND/FUND TRANSFERS**

During 2009 the following transfers were made:

<b>Transfers from the General Fund to:</b>	
Depot Fund	<u>\$ 293</u>
Total Transfers from the General Fund	<u><u>(293)</u></u>

<b>Transfers from the Swimming Pool Reserve Fund to:</b>	
Swimming Pool Fund	<u>21,300</u>
Total Transfers from the Swimming Pool Reserve Fund	<u><u>(\$21,300)</u></u>

General Fund transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers from the Swimming Pool Reserve Fund to the Swimming Pool Fund represent the reallocation income tax proceeds levied for the swimming pool.

**14. CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

At December 31, 2009, the Village had outstanding contractual commitments related to the Buckeye Street Project in the amount of \$179,465 and related to the Lincoln Street Project in the amount of \$84,184.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**15. CONTINGENT LIABILITIES**

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.

**16. RELATED PARTY TRANSACTIONS**

Council person Pete Lowe worked at Clemans-Nelson in Lima, Ohio. The Village of Ada had hired their company in the past on a monthly retainer for consultations regarding union and personnel matters. Mr. Lowe had previously been the person to contact but now Fred Lord has assumed those duties. He has abstained from all transactions relating to his business. In addition, Mr. Lowe is cohabitating with the Village Solicitor and abstains from any transactions that involve her.

**17. RECLASSIFICATION OF FUNDS**

During 2009, the Governmental Permissive Motor Vehicle License Fund and the Enterprise Sewer Reserve Fund met the minimum criteria for mandatory major fund reporting.

The effects of these reclassifications are as follows:

	<b>Governmental Permissive Motor Vehicle Tax</b>	<b>Governmental Other Governmental Funds</b>	<b>Enterprise Sewer Reserve</b>	<b>Other Enterprise Funds</b>
Fund Balances December 31, 2008		\$208,603		\$382,811
Reclassification of Funds	\$166,336	(166,336)	\$135,482	(135,482)
Fund Balances January 1, 2009	\$166,336	\$42,267	\$135,482	\$247,329

**VILLAGE OF ADA  
HARDIN COUNTY**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$1,024,899	\$1,116,700	\$933,097	(\$183,603)
Charges for Services	10,388	9,713	11,064	1,351
Fines, Licenses and Permits	58,430	21,528	95,333	73,805
Intergovernmental	138,579	158,165	118,993	(39,172)
Special Assessments	16,700	14,755	18,645	3,890
Interest	75,000	87,125	46,160	(40,965)
Miscellaneous	80,274	64,688	95,860	31,172
Total Receipts	<u>1,404,270</u>	<u>1,472,674</u>	<u>1,319,152</u>	<u>(153,522)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	282,384	310,719	243,896	66,823
Security of Persons and Property	791,745	881,895	688,566	193,329
Public Health Services	21,368	21,368	21,368	
Community Environment	3,270	3,370	3,170	200
Transportation	472,177	500,586	446,683	53,903
Capital Outlay	7,002	8,550	27,873	(19,323)
<b>Debt Service:</b>				
Principal Retirement	97,766	97,766	39,814	57,952
Interest and Fiscal Charges			36,981	(36,981)
Total Disbursements	<u>1,675,712</u>	<u>1,824,254</u>	<u>1,508,351</u>	<u>315,903</u>
Excess of Receipts(Under) Disbursements	<u>(271,442)</u>	<u>(351,580)</u>	<u>(189,199)</u>	<u>162,381</u>
<b>Other Financing Uses):</b>				
Transfers Out	<u>(293)</u>	<u>(293)</u>	<u>(293)</u>	
Net Change in Fund Balance	(271,735)	(351,873)	(189,492)	162,381
Fund Balance Beginning of Year	491,744	491,744	491,744	
Prior Year Encumbrances Appropriated	<u>23,445</u>	<u>23,445</u>	<u>23,445</u>	
Fund Balance End of Year	<u>\$243,454</u>	<u>\$163,316</u>	<u>\$325,697</u>	<u>\$162,381</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF ADA  
HARDIN COUNTY**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
STREET MAINTENANCE & REPAIR FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Charges for Services	\$7,500	\$13,200	\$1,800	(\$11,400)
Intergovernmental	106,000	96,850	115,150	18,300
Interest			11,848	11,848
Miscellaneous	10,000	9,990	10,010	20
Total receipts	<u>123,500</u>	<u>120,040</u>	<u>138,808</u>	<u>18,768</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Transportation	133,550	151,047	99,002	52,045
Principal Retirement	38,632	38,632	21,368	17,264
Interest and Fiscal Charges			17,264	(17,264)
Total Disbursements	<u>172,182</u>	<u>189,679</u>	<u>137,634</u>	<u>52,045</u>
Excess of Receipts Over (Under) Disbursements	<u>(48,682)</u>	<u>(69,639)</u>	<u>1,174</u>	<u>70,813</u>
Net Change in Fund Balance	(48,682)	(69,639)	1,174	70,813
Fund Balance Beginning of Year	<u>435,059</u>	<u>435,059</u>	<u>435,059</u>	
Fund Balance End of Year	<u><u>\$386,377</u></u>	<u><u>\$365,420</u></u>	<u><u>\$436,233</u></u>	<u><u>\$70,813</u></u>

*See accompanying notes to the basic financial statements.*



**VILLAGE OF ADA  
HARDIN COUNTY**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
PERMISSIVE MOTOR VEHICLE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$12,000	\$9,918	\$14,082	\$4,164
Interest			4,562	4,562
Total Receipts	<u>12,000</u>	<u>9,918</u>	<u>18,644</u>	<u>8,726</u>
Total Disbursements				
Excess of Receipts Over Disbursements	<u>12,000</u>	<u>9,918</u>	<u>18,644</u>	<u>8,726</u>
Net Change in Fund Balance	12,000	9,918	18,644	8,726
Fund Balance Beginning of Year	<u>166,336</u>	<u>166,336</u>	<u>166,336</u>	
Fund Balance End of Year	<u><u>\$178,336</u></u>	<u><u>\$176,254</u></u>	<u><u>\$184,980</u></u>	<u><u>\$8,726</u></u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
SWIMMING POOL RESERVES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$145,072	\$164,344	\$125,800	(\$38,544)
Total Receipts	<u>145,072</u>	<u>164,344</u>	<u>125,800</u>	<u>(38,544)</u>
Total Disbursements				
Excess of Receipts Over Disbursements	<u>145,072</u>	<u>164,344</u>	<u>125,800</u>	<u>(38,544)</u>
<b>Other Financing Sources (Uses):</b>				
Other Financing Uses	<u>(50,975)</u>	<u>(50,975)</u>	<u>(21,300)</u>	<u>29,675</u>
Net Change in Fund Balance	94,097	113,369	104,500	(8,869)
Fund Balance Beginning of Year	<u>250,004</u>	<u>250,004</u>	<u>250,004</u>	
Fund Balance End of Year	<u><u>\$344,101</u></u>	<u><u>\$363,373</u></u>	<u><u>\$354,504</u></u>	<u><u>(\$8,869)</u></u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Basis of Accounting**

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

**Budgetary Process**

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

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

**Estimated Resources** – Prior to October 1, the Village accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the estimated fund balance and projected revenue of each fund. Prior to December 31, the Village must revise its budget so that total contemplated expenditures/expenses from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about January 1, the certificate is amended to include the actual unencumbered fund balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the fiscal officer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during 2009.

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

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

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

VILLAGE OF ADA  
HARDIN COUNTY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)

**Budgetary Process (Continued)**

**Encumbrances** – Encumbrance accounting is utilized by Village funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. Encumbrances outstanding at year end appear as a reserve to the fund balance and as the equivalent of expenditures on the budgetary comparison in order to demonstrate legal compliance. This encumbrance authority is carried forward to the next fiscal year and is reported in the “Revised Budget” amount for budgetary comparisons. If the actual expenditures are less than the amount encumbered, the excess reserve is closed to the unreserved fund balance.

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

This discussion and analysis of the Village of Ada financial performance provides an overall review of the Village's financial activities for the fiscal year ended December 31, 2008, within the limitations of the cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights are as follows:

- In total, net assets increased \$837,639 or 38 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Construction Fund, which increased its carryover balance by \$728,787 because we borrowed money from the bank to finance Phase 1 of the Buckeye Avenue Project.
- The Village's general receipts are primarily income taxes and local governmental funds. These receipts represent 38 percent of the total governmental activities cash received during the year. Income tax receipts for 2008 were down 6 percent due to the economy.
- The water operation, one of the Village's business-type activities, increased its carryover by 55 percent for the year. Receipts exceeded expenditures by \$28,157. This was a result from increasing the water rates last year and cutting back on expenditures.
- The storm sewer operation, one of the Village's business-type activities, decreased its carryover by \$15,062 or by 44 percent. Some expenditure's have been moved to the Sewer fund.
- The Sewer Operation and Maintenance operation, one of the Village's business-type activities, decreased its carryover by \$51,149 or by 45%. Some expenditure's have been moved to the Sewer fund.
- The Water Reserve operation, one of the Village's business-type activities, decreased its carry over by \$58,763 or by 24 percent. A transfer of \$25,000 was made from the Water Reserve Fund to the Water Fund to help cover expenditures.

**Using the Basic Financial Statements**

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

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

VILLAGE OF ADA  
HARDIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)  
(Continued)

**Basis of Accounting**

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

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

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

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

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)  
(Continued)**

**Reporting the Government's Most Significant Funds**

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

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

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

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

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2008 and 2007 on a cash basis:

**(Table 1)  
Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Assets:</b>						
Cash and Cash Equivalents	\$2,168,560	\$1,290,411	\$852,931	\$893,441	\$3,021,491	\$2,183,852
Total Assets	2,168,560	1,290,411	852,931	893,441	3,021,491	2,183,852
<b>Net Assets:</b>						
<b>Restricted for:</b>						
Debt Service			219,829		219,829	
Capital Outlay	759,705	16,080			759,705	16,080
Other Purposes	893,666	783,063	633,102	893,441	1,526,768	1,676,504
Unrestricted	515,189	491,268			515,189	491,268
Total Net Assets	\$2,168,560	\$1,290,411	\$852,931	\$893,441	\$3,021,491	\$2,183,852

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)  
(Continued)**

As mentioned previously, net assets increased \$837,639 or 38 percent during 2008. The primary reasons contributing to the increase in cash balances as follows:

- The Construction Fund received a loan for the Buckeye Avenue Project for \$900,000.
- The Village's General Fund received an inheritance tax of \$64,052.
- The Village's Water Fund increased rates and cut expenditures which increased the carryover by \$28,157.
- The Village had other slight increases in revenues but half of the net increase in carryover was from the fact the Village cut back on expenditures toward the end of the year.

Table 2 reflects the changes in net assets in 2008 and 2007.

**(Table 2)  
Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Receipts:</b>						
<b>Program Receipts:</b>						
Charges for Services and Sales	\$ 179,892	\$ 25,246	\$1,736,032	\$1,572,405	\$1,915,924	\$1,597,651
Operating Grants and Contributions	128,497	803,256			128,497	803,256
Capital Grants and Contributions	151,719				151,719	
<b>Total Program Receipts</b>	<b>460,108</b>	<b>828,502</b>	<b>1,736,032</b>	<b>1,572,405</b>	<b>2,196,140</b>	<b>2,400,907</b>
<b>General Receipts:</b>						
Property and Other Local Taxes	1,089,584	1,150,106			1,089,584	1,150,106
Fines, Licenses and Permits		39,543				39,543
Special Assessments		52,104				52,104
Grants and Entitlements Not Restricted to Specific Programs	198,591	292,939			198,591	292,939
Note Proceeds	900,000				900,000	
Interest	107,884	121,173			107,884	121,173
Miscellaneous	102,825	97,690	24,231	137,893	127,056	235,583
<b>Total General Receipts</b>	<b>2,398,884</b>	<b>1,753,555</b>	<b>24,231</b>	<b>137,893</b>	<b>2,423,115</b>	<b>1,891,448</b>
<b>Total Receipts</b>	<b>2,858,992</b>	<b>2,582,057</b>	<b>1,760,263</b>	<b>1,710,298</b>	<b>4,619,255</b>	<b>4,292,355</b>
<b>Disbursements:</b>						
General Government	277,442	222,957			277,442	222,957
Security of Persons and Property	696,303	622,753			696,303	622,753
Public Health Services	21,368	20,790			21,368	20,790
Leisure Time Activities	90,704	86,457			90,704	86,457
Community Environment	13,395	11,673			13,395	11,673
Basic Utilities			1,280,077	1,678,802	1,280,077	1,678,802
Transportation	444,259	1,101,992			444,259	1,101,992
Capital Outlay	329,516	64,074	79,167		408,683	64,074
Principal Retirement	72,674	80,558	287,783		360,457	80,558
Interest and Fiscal Charges	24,149		118,532		142,681	
Other			46,247		46,247	
<b>Total Disbursements</b>	<b>1,969,810</b>	<b>2,211,254</b>	<b>1,811,806</b>	<b>1,678,802</b>	<b>3,781,616</b>	<b>3,890,056</b>
Excess (Deficiency) Before Transfers	889,182	370,803	(51,543)	31,496	837,639	402,299
Transfers	(11,033)		11,033			
<b>Increase (Decrease) in Net Assets</b>	<b>878,149</b>	<b>370,803</b>	<b>(40,510)</b>	<b>31,496</b>	<b>837,639</b>	<b>402,299</b>
Net Assets, January 1	1,290,411	919,608	893,441	861,945	2,183,852	1,781,553
<b>Net Assets, December 31</b>	<b>\$2,168,560</b>	<b>\$1,290,411</b>	<b>\$ 852,931</b>	<b>\$893,441</b>	<b>\$3,021,491</b>	<b>\$2,183,852</b>



**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)  
(Continued)**

Program receipts represent only 48 percent of total receipts and are primarily comprised of utility charges for services, restricted grants, intergovernmental receipts such as motor vehicle license and gas tax money, and building permits and inspection fees.

General receipts represent 52 percent of the Village's total receipts, and of this amount, 45 percent are local taxes. Note proceeds and unrestricted grants also make up 37 percent and 8 percent, respectively of general receipts.

Disbursements for General Government represent the overhead costs of running the Government. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing.

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

**Governmental Activities**

If you look at the Statement of Activities on page 48, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for 23 and 35 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 14 percent. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3 for 2008 and 2007.

**(Table 3)  
Governmental Activities**

	<b>Total Cost of Services 2008</b>	<b>Net Cost of Services 2008</b>	<b>Total Cost of Services 2007</b>	<b>Net Cost of Services 2007</b>
General Government	\$ 277,442	(\$ 226,204)	\$ 222,957	(\$ 222,957)
Security of Persons and Property	696,303	(678,406)	622,753	(622,753)
Public Health Services	21,368	(21,368)	20,790	(20,790)
Leisure Time Activities	90,704	(34,345)	86,457	(86,457)
Community Environment	13,395	(13,395)	11,673	(11,673)
Basic Utilities				
Transportation	444,259	(279,222)	1,101,992	(273,490)
Capital Outlay	329,516	(177,797)	64,074	(64,074)
Principal Retirement	72,674	(54,816)	80,558	(80,558)
Interest and Fiscal Charges	24,149	(24,149)		
<b>Total Expenses</b>	<b>\$1,969,810</b>	<b>(\$1,509,702)</b>	<b>\$2,211,254</b>	<b>(\$1,382,752)</b>

The dependence upon property and income tax receipts and other general receipts is apparent as 76 percent of governmental activities are supported through these general receipts.

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)  
(Continued)**

**Business-type Activities**

The costs to operate the Business Type Activities exceeded revenues. As a result the Village will continue to adjust rates so that each utility collects enough revenue to off-set costs.

**The Village's Funds**

The water fund had receipts of \$632,461 and disbursements of \$604,304. The fund balance of the Water Fund increased \$28,157. Total sewer fund had receipts of \$430,503 and disbursements of \$404,557. The fund balance of the Sewer Fund increased \$25,946. The sewer debt retirement fund had receipts of \$280,142 and disbursements of \$263,918. The fund balance of the Sewer Debt Retirement fund increased \$16,224.

**General Fund Budgeting Highlights**

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

During 2008, the Government amended its budget several times to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant. Actual receipts were not significantly. Although receipts failed to live up to expectations, appropriations were not reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure. The Village has acquired a software package to accomplish this task and is in the process of entering the necessary information. It is anticipated that this program will be fully functional for 2009 but reductions in staff may delay the implementation.

**Debt**

At December 31, 2008, the outstanding debt was \$4,363,073 issued for improvements to buildings and structures, and \$212,488 in capital leases for equipment. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

**Current Issues**

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. To continue to promote our current level of services additional revenue must be obtained.

**Contacting the Village's Financial Management**

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

**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2008**

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,168,560	\$852,931	\$3,021,491
Total Assets	<u>2,168,560</u>	<u>852,931</u>	<u>3,021,491</u>
<b>Net Assets:</b>			
<b>Restricted for:</b>			
Capital Projects	759,705		759,705
Debt Service		219,829	219,829
Other Purposes	893,666	633,102	1,526,768
Unrestricted	<u>515,189</u>		<u>515,189</u>
Total Net Assets	<u><u>\$2,168,560</u></u>	<u><u>\$852,931</u></u>	<u><u>\$3,021,491</u></u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Program Cash Receipts</u>			
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
General Government	\$277,442	\$51,238		
Security of Persons and Property	696,303	16,297	\$1,600	
Public Health Services	21,368			
Leisure Time Activities	90,704	56,359		
Community Environment	13,395			
Transportation	444,259	38,140	126,897	
Capital Outlay	329,516			\$151,719
<b>Debt Service:</b>				
Principal Retirement	72,674	17,858		
Interest and Fiscal Charges	24,149			
<b>Total Governmental Activities</b>	<u>1,969,810</u>	<u>179,892</u>	<u>128,497</u>	<u>151,719</u>
<b>Business Type Activity:</b>				
Sewer	404,557	416,128		
Sewer Debt Retirement	263,918	280,142		
Sewer Improvements	88,670	37,521		
Sewer Reserve	17,644	12,600		
Solid Waste & Refuse	167,906	171,838		
Storm Sewer Utility	49,497	34,434		
Utility Deposit	46,247	46,175		
Water	604,304	586,572		
Water Debt Retirement	60,300	75,622		
Water Reserve	108,763	75,000		
<b>Total Business Type Activities</b>	<u>1,811,806</u>	<u>1,736,032</u>		
<b>Total</b>	<u>\$3,781,616</u>	<u>\$1,915,924</u>	<u>\$128,497</u>	<u>\$151,719</u>

**General Receipts:**

**Property Taxes Levied for:**

General Purposes  
Municipal Income Taxes - General Purposes  
Municipal Income Taxes - Swimming Pool  
Grants and Entitlements not Restricted to Specific Programs  
Notes Issued  
Interest  
Miscellaneous  
Total General Receipts

Transfers

Total General Receipts and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

*See accompanying notes to the basic financial statements.*

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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
(\$226,204)		(\$226,204)
(678,406)		(678,406)
(21,368)		(21,368)
(34,345)		(34,345)
(13,395)		(13,395)
(279,222)		(279,222)
(177,797)		(177,797)
(54,816)		(54,816)
(24,149)		(24,149)
<u>(1,509,702)</u>		<u>(1,509,702)</u>
	\$11,571	11,571
	16,224	16,224
	(51,149)	(51,149)
	(5,044)	(5,044)
	3,932	3,932
	(15,063)	(15,063)
	(72)	(72)
	(17,732)	(17,732)
	15,322	15,322
	(33,763)	(33,763)
	<u>(75,774)</u>	<u>(75,774)</u>
<u>(1,509,702)</u>	<u>(75,774)</u>	<u>(1,585,476)</u>
41,090		41,090
912,046		912,046
136,448		136,448
198,591		198,591
900,000		900,000
107,884		107,884
102,825	24,231	127,056
2,398,884	24,231	2,423,115
<u>(11,033)</u>	<u>11,033</u>	
<u>2,387,851</u>	<u>35,264</u>	<u>2,423,115</u>
878,149	(40,510)	837,639
<u>1,290,411</u>	<u>893,441</u>	<u>2,183,852</u>
<u>\$2,168,560</u>	<u>\$852,931</u>	<u>\$3,021,491</u>

VILLAGE OF ADA  
HARDIN COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008

	<u>General</u>	<u>Street Maintenance and Repair</u>	<u>Swimming Pool Reserves</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	\$515,189	\$435,059	\$250,004	\$759,705	\$208,603	\$2,168,560
Total Assets	<u>515,189</u>	<u>435,059</u>	<u>250,004</u>	<u>759,705</u>	<u>208,603</u>	<u>2,168,560</u>
<b>Fund Balances:</b>						
<b>Reserved:</b>						
Reserved for Encumbrances	23,445			326,883	3,670	353,998
<b>Unreserved:</b>						
<b>Undesignated (Deficit), Reported in:</b>						
General Fund	491,744					491,744
Special Revenue Funds		435,059	250,004		204,933	889,996
Capital Projects Funds				432,822		432,822
Total Fund Balances	<u>\$515,189</u>	<u>\$435,059</u>	<u>\$250,004</u>	<u>\$759,705</u>	<u>\$208,603</u>	<u>\$2,168,560</u>

See accompanying notes to the basic financial statements.

VILLAGE OF ADA  
HARDIN COUNTY

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Street Maintenance and Repair	Swimming Pool Reserves	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>						
Property and Other Local Taxes	\$953,136		\$104,718		\$45,607	\$1,103,461
Charges for Services	9,507	\$14,756			56,359	80,622
Fines, Licenses and Permits	67,535					67,535
Intergovernmental	200,141	117,426		\$151,719	9,521	478,807
Special Assessments	17,858					17,858
Interest	85,286	16,244			6,354	107,884
Miscellaneous	92,407	10,010			408	102,825
Total Receipts	<u>1,425,870</u>	<u>158,436</u>	<u>104,718</u>	<u>151,719</u>	<u>118,249</u>	<u>1,958,992</u>
<b>Disbursements:</b>						
<b>Current:</b>						
General Government	273,359				4,083	277,442
Security of Persons and Property	696,303					696,303
Public Health Services	21,368					21,368
Leisure Time Activities					90,704	90,704
Community Environment	3,070				10,325	13,395
Transportation	344,098	91,261			8,901	444,260
Capital Outlay	839			322,932	5,744	329,515
<b>Debt Service:</b>						
Principal Retirement	72,674					72,674
Interest and Fiscal Charges	24,149					24,149
Total Disbursements	<u>1,435,860</u>	<u>91,261</u>	<u>104,718</u>	<u>322,932</u>	<u>119,757</u>	<u>1,969,810</u>
Excess of Receipts Over (Under) Disbursements	<u>(9,990)</u>	<u>67,175</u>	<u>104,718</u>	<u>(171,213)</u>	<u>(1,508)</u>	<u>(10,818)</u>
<b>Other Financing Sources (Uses):</b>						
Notes Issued				900,000		900,000
Transfers In					30,000	30,000
Transfers Out	(11,033)		(30,000)			(41,033)
Total Other Financing Sources (Uses)	<u>(11,033)</u>	<u>          </u>	<u>(30,000)</u>	<u>900,000</u>	<u>30,000</u>	<u>888,967</u>
Net Change in Fund Balances	(21,023)	67,175	74,718	728,787	28,492	878,149
Fund Balances Beginning of Year	<u>536,212</u>	<u>367,884</u>	<u>175,286</u>	<u>30,918</u>	<u>180,111</u>	<u>1,290,411</u>
Fund Balances End of Year	<u>\$515,189</u>	<u>\$435,059</u>	<u>\$250,004</u>	<u>\$759,705</u>	<u>\$208,603</u>	<u>\$2,168,560</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2008**

	<u>Water</u>	<u>Water Reserve</u>	<u>Sewer</u>	<u>Sewer Debt Retirement</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	\$79,644	\$185,871	\$91,642	\$112,963	\$382,811	\$852,931
Total Assets	<u>79,644</u>	<u>185,871</u>	<u>91,642</u>	<u>112,963</u>	<u>382,811</u>	<u>852,931</u>
<b>Net Assets:</b>						
Unrestricted	<u>\$79,644</u>	<u>\$185,871</u>	<u>\$91,642</u>	<u>\$112,963</u>	<u>\$382,811</u>	<u>\$852,931</u>

*See accompanying notes to the basic financial statements.*



**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS,  
DISBURSEMENTS AND CHANGES IN FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Water</u>	<u>Water Reserve</u>	<u>Sewer</u>	<u>Sewer Debt Retirement</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Operating Receipts:</b>						
Charges for Services	\$586,572	\$75,000	\$416,128	\$280,142	\$378,190	\$1,736,032
Other Operating Receipts	20,889		3,342			24,231
Total Operating Receipts	<u>607,461</u>	<u>75,000</u>	<u>419,470</u>	<u>280,142</u>	<u>378,190</u>	<u>1,760,263</u>
<b>Operating Disbursements:</b>						
Billing - Water	600,306					600,306
Billing - Sewers			404,557			404,557
Billing - Storm Sewers					18,638	18,638
Billing - Refuse Collection and Disposal					167,906	167,906
Other Sanitary Sewers and Sewage					88,670	88,670
Other Basic Utility Service					46,247	46,247
Capital Outlay	3,998	57,525			17,644	79,167
Total Operating Disbursements	<u>604,304</u>	<u>57,525</u>	<u>404,557</u>		<u>339,105</u>	<u>1,405,491</u>
Operating Income	3,157	17,475	14,913	280,142	39,085	354,772
<b>Non-Operating Receipts (Disbursements):</b>						
Principal Payments		(26,886)		(190,753)	(70,144)	(287,783)
Interest and Fiscal Charges		(24,352)		(73,165)	(21,015)	(118,532)
Transfers In	25,000		11,033			36,033
Transfers Out		(25,000)				(25,000)
Total Non-Operating Receipts (Disbursements)	<u>25,000</u>	<u>(76,238)</u>	<u>11,033</u>	<u>(263,918)</u>	<u>(91,159)</u>	<u>(395,282)</u>
Change in Net Assets	28,157	(58,763)	25,946	16,224	(52,074)	(40,510)
Net Assets Beginning of Year	<u>51,487</u>	<u>244,634</u>	<u>65,696</u>	<u>96,739</u>	<u>434,885</u>	<u>893,441</u>
Net Assets End of Year	<u>\$79,644</u>	<u>\$185,871</u>	<u>\$91,642</u>	<u>\$112,963</u>	<u>\$382,811</u>	<u>\$852,931</u>

See accompanying notes to the basic financial statements.

VILLAGE OF ADA  
HARDIN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2008

	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$76,610
Total Assets	<u>76,610</u>
<b>Net Assets:</b>	
Unrestricted	<u><u>\$76,610</u></u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**1. REPORTING ENTITY**

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

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

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village.

The Village of Ada has no component units.

**C. Joint Ventures**

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

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

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

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

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

**2. Fund Financial Statements**

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

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

**B. Fund Accounting**

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

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

**1. Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Street Maintenance and Repair Fund, Swimming Pool Reserves Fund and Capital Projects Fund.

The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Street Maintenance and Repair Fund and the Permissive Motor Vehicle Tax Fund are use to account for resources restricted to repair and maintenance of Village streets. The Swimming Pool Reserve Fund is use to fund operations of the Village pool. The Capital Projects Fund is used to account for major capital improvements.

**2. Proprietary Funds**

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

**Enterprise Funds** - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water Operating, Water Reserve, Sewer Operating, and Sewer Debt Retirement Funds. The Water Operating Fund accounts for the provision of water to the residents and commercial users located within the Village. The Sewer Operating Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. The remaining major Enterprise Funds account for reserves related to these utilities.

**3. Fiduciary Funds**

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

**C. Basis of Accounting**

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

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

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

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

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

**E. Cash and Investments**

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During the year, the Village's investments included federal agency securities and CDARS through Huntington National Bank.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2008 were \$85,286 which includes \$67,346 assigned from other funds.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

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

**F. Restricted Assets**

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

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Accumulated Leave**

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

**J. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

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

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for maintenance of roads and utility operations.

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

**M. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

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

**N. Interfund Transactions**

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

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

**3. COMPLIANCE**

The Village failed to certify all expenditures prior to obligation which violated Ohio Rev. Code Section 5705.41(D) and allocate interest to applicable funds in accordance with Article XII, Section 5a, of the Ohio Constitution.

**4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund, Street Maintenance and Repair Fund and Swimming Pool Reserve Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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



**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

**A. Deposits**

Custodial risk is the risk that in the event of bank failure, the Village will not be able to recover deposits beyond the requirements of State statute. The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. The Village's deposits did not exceed FDIC insurance coverage since it has temporarily been raised to \$250,000 until December 31, 2008.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments**

As of December 31, 2008, the Village had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Less than 1</u>
CDARS	\$1,444,768	\$1,444,768
FHLB	291,900	291,900
FNMA	135,713	135,713
	<u>\$1,872,381</u>	<u>\$1,872,381</u>

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

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

The Village's Federal Home Loan Bank Notes and Federal National Mortgage Association Notes carry a rating of AAA by Moody's. The Village does not have a policy addressing the concentration of credit risk.

**6. INCOME TAXES**

The Village levies a 1.15 percent income tax whose proceeds are placed into the General Fund, Pool Fund and Pool Reserve Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the 1.15 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**7. PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2009 represent the collection of 2008 taxes. Real property taxes received in 2009 were levied after October 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2009 represent the collection of 2008 taxes. Public utility real and tangible personal property taxes received in 2009 became a lien on December 31, 2008, were levied after October 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2009 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2009 were levied after October 1, 2008, on the true value as of December 31, 2008. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2008, was \$69.35 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

**Real Property - 2007 Valuation:**

Residential/Agricultural	\$34,602,420
Commercial	7,157,250
Industrial	1,768,060
Public Utilities	2,660

**Tangible Personal Property – 2007 Valuation:**

General	795,580
Public Utilities	1,926,140
Total Valuation	<u><u>\$46,252,110</u></u>

**8. RISK MANAGEMENT**

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

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

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

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**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, 2008, 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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**B. Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007:

	<b>2008</b>	<b>2007</b>
Assets	\$35,769,535	\$37,560,071
Liabilities	(15,310,206)	(17,340,825)
Net Assets	\$20,459,329	\$20,219,246

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$64,000.

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.

<b>Contributions to PEP</b>	
2008	\$65,572

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of 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.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans described as follows: (1) The Traditional Pension Plan – a cost sharing multiple-employer defined benefit pension plan; (2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon; and (3) The Combined Plan – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The member contribution rate for 2008 was 10.0% for members in state and local classifications. The 2008 employer contribution rate for local government employers was 14.00% of covered payroll; 7.00% of which was used for pension obligations. The Village's contributions for pension obligations to OPERS for the year ended December 31, 2008 were \$43,834, respectively; 100% has been contributed for 2008.

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

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

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters, 12.75% and 17.25% respectively for pension obligations. The Village's contributions to OP&F for pension obligations were \$34,809 for the year ended December 31, 2008, respectively; 100 percent has been contributed for 2008.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**10. POST EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377

A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan. The portion of employer contributions for state and local employers allocated to health care was 7.00% for 2008. Actual employer contributions for 2008 which were used to fund other post-employment benefits were \$43,834.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

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

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**10. POST EMPLOYMENT BENEFITS (Continued)**

The Ohio Police and Fire Pension Fund (OP&F) provides access to post retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

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

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Village's contributions to OP&F for the year ending December 31, 2008 for police were \$53,237 of which \$18,428 was allocated to the healthcare plan.

**11. DEBT**

A summary of the note transactions for the year ended December 31, 2008, follows:

	<b>Interest Rate</b>	<b>Balance 12/31/2007</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/2008</b>
Ohio Water Development Authority (1989)	2.20%	\$ 594,598		\$ 56,930	\$ 537,668
Ohio Water Development Authority (1996)	7.89%	440,574		85,546	355,028
Ohio Water Development Authority (2000)	2.20%	1,306,758*		84,393	1,222,365
Ohio Waterworks Improvement Bonds (1993)	6.00%	255,000		45,000	210,000
General Obligation Note – (2006)	5.31%	123,800		11,088	112,712
General Obligation Note – (2008)	3.36%		\$900,000		900,000
General Obligation Note – (2006)	3.93%	252,800		27,500	225,300
Streetscape Bonds – (2004)	4.50%	850,000		50,000	800,000
Total Principal Outstanding:		<u>\$3,823,530</u>	<u>\$900,000</u>	<u>\$360,457</u>	<u>\$4,363,073</u>

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**11. DEBT (Continued)**

\*The balance of this loan was restated by OWDA because not all of the borrowed funds were disbursed for the related project.

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

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

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

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

A General Obligation Note was issued in 2008 to purchase 119 W. Buckeye and 114 W. Buckeye Street properties which are associated with the Buckeye Street Project Phase 1. The Village entered into purchase agreements with the owners of the aforementioned Buckeye Street properties which require annual payments to the property owners; the bank loan is being utilized to finance the required payments. This is an interest only loan with a balloon payment in 2010. This will need to be converted into a General Obligation Note or Bond.

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

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

Year	Streetscape Bonds	OWDA Loans	Ohio Water Works System	General Obligation Note - 2008	General Obligation Note - 2006	General Obligation Note - 2006
2009	\$ 85,850	\$ 300,606	\$ 62,600	\$ 30,240	\$ 37,075	\$ 17,528
2010	88,600	301,428	59,600	915,120	37,143	17,498
2011	86,125	302,314	61,600		37,162	17,440
2012	88,650	243,117	58,300		37,138	17,444
2013	85,950	183,459			37,163	17,512
2014-2018	315,370	716,825			74,200	52,335
2019-2023		341,278				
2024						
Totals	<u>\$1,101,465</u>	<u>\$2,389,027</u>	<u>\$242,100</u>	<u>\$945,360</u>	<u>\$259,882</u>	<u>\$139,757</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2008, were an overall debt margin of \$4,370,133 with no unvoted debt margin.



**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**12. LEASES**

The Village leases vehicles and other equipment under non-cancelable leases. The Village disbursed \$70,519 to pay lease costs for the year ended December 31, 2008. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 70,519
2010	64,292
2011	42,388
2012	35,289
Total	<u>\$212,488</u>

**13. INTER FUND/FUND TRANSFERS**

During 2008 the following transfers were made:

Transfers from the General Fund to:	
Sewer Fund	<u>\$11,033</u>
Total Transfers from the General Fund	<u>(\$11,033)</u>
Transfers from the Swimming Pool Reserve Fund to:	
Swimming Pool Fund	<u>\$30,000</u>
Total Transfers from the Swimming Pool Reserve Fund	<u>(\$30,000)</u>

General Fund transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers from the Swimming Pool Reserve Fund to the Swimming Pool Fund represent the reallocation income tax proceeds levied for the swimming pool.

**14. CONTINGENT LIABILITIES**

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.

**15. RELATED PARTY TRANSACTIONS**

Council person Pete Lowe worked at Clemans-Nelson in Lima, Ohio. The Village of Ada had hired their company in the past on a monthly retainer for consultations regarding union and personnel matters. Mr. Lowe had previously been the person to contact but now Fred Lord has assumed those duties. He has abstained from all transactions relating to his business. In addition, Mr. Lowe is cohabitating with the Village Solicitor and abstains from any transactions that involve her.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**17. RECLASSIFICATION OF FUNDS**

In 2007, the Village reported a special cost center of the General Fund as a major fund. This cost center should have been reported as part of the General Fund. During 2008, the Governmental Swimming Pool Reserves Fund, Governmental Capital Projects Fund, Enterprise Water Reserve Fund, and Enterprise Sewer Debt Retirement Fund met the minimum criteria for mandatory major fund reporting. During 2008, the Governmental Permissive Motor Vehicle License Fund did not meet the minimum criteria for mandatory major fund reporting.

The effects of these reclassifications are as follows:

<b>Governmental</b>	<b>General</b>	<b>Street (cost center of General Fund)</b>	<b>Swimming Pool Reserves</b>	<b>Capital Projects</b>	<b>Permissive Motor Vehicle License</b>	<b>Other Governmental Funds</b>
Fund Balances December 31, 2007	\$533,900	\$2,312			\$146,380	\$239,935
Reclassification of Funds	2,312	(2,312)	\$175,286	\$30,918	(146,380)	(59,824)
Fund Balances January 1, 2008	<u>\$536,212</u>	<u>\$ 0</u>	<u>\$175,286</u>	<u>\$30,918</u>	<u>\$ 0</u>	<u>\$180,111</u>

**VILLAGE OF ADA  
HARDIN COUNTY**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property and Other Local Taxes	\$1,012,985	\$953,136	\$953,136	
Charges for Services	10,320	9,508	9,507	(\$1)
Fines, Licenses and Permits	42,085	68,310	67,535	(775)
Intergovernmental	141,935	200,141	200,141	
Special Assessments	20,400	17,858	17,858	
Interest	120,539	107,884	85,286	(22,598)
Miscellaneous	84,573	91,747	92,407	660
Total receipts	<u>1,432,837</u>	<u>1,448,584</u>	<u>1,425,870</u>	<u>(22,714)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	310,759	306,854	281,748	25,106
Security of Persons and Property	725,400	757,617	698,383	59,234
Public Health Services	21,368	21,368	21,368	
Community Environment	3,170	3,170	3,170	
Transportation	445,700	496,583	356,975	139,608
Capital Outlay	6,798	6,798	839	5,959
<b>Debt Service:</b>				
Principal Retirement	82,134	96,823	72,674	24,149
Interest and Fiscal Charges			24,149	(24,149)
Total Disbursements	<u>1,595,329</u>	<u>1,689,213</u>	<u>1,459,306</u>	<u>229,907</u>
Excess of Receipts Over (Under) Disbursements	<u>(162,492)</u>	<u>(240,629)</u>	<u>(33,436)</u>	<u>207,193</u>
<b>Other Financing (Uses):</b>				
Transfers Out	<u>(11,033)</u>	<u>(11,033)</u>	<u>(11,033)</u>	
Net Change in Fund Balance	(173,525)	(251,662)	(44,469)	207,193
Fund Balance Beginning of Year	475,384	475,384	475,384	
Prior Year Encumbrances Appropriated	<u>60,829</u>	<u>60,829</u>	<u>60,829</u>	
Fund Balance End of Year	<u><u>\$362,688</u></u>	<u><u>\$284,551</u></u>	<u><u>\$491,744</u></u>	<u><u>\$207,193</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF ADA  
HARDIN COUNTY**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
STREET MAINTENANCE & REPAIR FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Charges for Services	\$2,472	\$14,756	\$14,756	
Intergovernmental	123,357	117,426	117,426	
Interest			16,244	\$16,244
Miscellaneous	10,000	10,010	10,010	
Total receipts	<u>135,829</u>	<u>142,192</u>	<u>158,436</u>	<u>16,244</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Transportation	<u>108,255</u>	<u>120,073</u>	<u>91,261</u>	<u>28,812</u>
Total Disbursements	<u>108,255</u>	<u>120,073</u>	<u>91,261</u>	<u>28,812</u>
Net Change in Fund Balance	27,574	22,119	67,175	45,056
Fund Balance Beginning of Year	365,842	365,842	365,842	
Prior Year Encumbrances Appropriated	<u>2,042</u>	<u>2,042</u>	<u>2,042</u>	
Fund Balance End of Year	<u><u>\$395,458</u></u>	<u><u>\$390,003</u></u>	<u><u>\$435,059</u></u>	<u><u>\$45,056</u></u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
SWIMMING POOL RESERVES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property and Other Local Taxes	\$59,879	\$104,718	\$104,718	
Total receipts	<u>59,879</u>	<u>104,718</u>	<u>104,718</u>	
Total Disbursements				
Excess of Receipts Over Disbursements	<u>59,879</u>	<u>104,718</u>	<u>104,718</u>	
<b>Other Financing(Uses):</b>				
Transfers Out		(30,000)	(30,000)	
Net Change in Fund Balance	59,879	74,718	74,718	
Fund Balance Beginning of Year	<u>175,286</u>	<u>175,286</u>	<u>175,286</u>	
Fund Balance End of Year	<u><u>\$235,165</u></u>	<u><u>\$250,004</u></u>	<u><u>\$250,004</u></u>	

*See accompanying notes to the basic financial statements.*

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**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Basis of Accounting**

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

**Budgetary Process**

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

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

**Estimated Resources** – Prior to October 1, the Village accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the estimated fund balance and projected revenue of each fund. Prior to December 31, the Village must revise its budget so that total contemplated expenditures/expenses from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about January 1, the certificate is amended to include the actual unencumbered fund balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Fiscal Officer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during 2009.

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

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

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

VILLAGE OF ADA  
HARDIN COUNTY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)

**Budgetary Process (Continued)**

**Encumbrances** – Encumbrance accounting is utilized by Village funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. Encumbrances outstanding at year end appear as a reserve to the fund balance and as the equivalent of expenditures on the budgetary comparison in order to demonstrate legal compliance. This encumbrance authority is carried forward to the next fiscal year and is reported in the “Revised Budget” amount for budgetary comparisons. If the actual expenditures are less than the amount encumbered, the excess reserve is closed to the unreserved fund balance.





# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 Avenue  
P.O. Box 292  
Ada, Ohio 45810

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Ada, Hardin County (the Village), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 11, 2010, wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-002 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, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-002 and 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 11, 2010.

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

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

**Mary Taylor, CPA**  
Auditor of State

August 11, 2010

VILLAGE OF ADA  
HARDIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

**MATERIAL WEAKNESS**

**Recording of Financial Activity**

The Village should have procedures in place to help assure the proper recording of financial activity in the accounting records and financial statements to assist in the effective management and reporting of financial resources. The following financial recording errors were identified in the accounting records and/or financial statements:

2009

- The governmental fund financial statements presented special cost centers within the General Fund as major funds. This resulted in adjustments in the amount of \$1,048,112 to eliminate financial activity between the cost centers;
- General Fund interest payments in the amount of \$36,981 were reported as principal payments;
- General lease payments in the amount of \$20,971 were reported as principal payments instead of capital outlay;
- Street Fund interest payments in the amount of \$17,264 were reported as principal payments;
- Principal and interest payments from various Enterprise Funds in the amount of \$434,210 were reported as operating principal payments instead of being allocated between non-operating principal and interest payments;
- Fines, Licenses and Permits in the amount of \$95,333 were classified as general revenues instead of program revenue-charges for services on the governmental entity wide statements;
- Motor Vehicle License and Gas Tax receipts in the amount of \$124,471 were classified as general revenues instead of program revenue – operating grants on the governmental entity wide statements;
- Swimming pool receipts in the amount of \$48,802 were classified as general revenues instead of program revenue – charges for services on the governmental entity wide statements ;
- Permissive Motor Vehicle Taxes in the amount of \$14,082 were classified as general revenue instead of program revenue – charges for services on the governmental entity wide statements ; and
- The governmental entity wide statements reported transfers in the amount of \$1,069,708 between governmental funds instead of eliminating the activity

2008

- The governmental fund financial statements presented special cost centers within the General Fund as major funds. This resulted in adjustments in the amount of \$969,870 to eliminate financial activity between the cost centers;
- Note proceeds in the amount of \$900,000 were classified as intergovernmental revenue in the the Capital Projects Fund;
- Payments made on-behalf of the Village, in the amount of \$148,559 for road construction were not recorded;
- Principal and interest payments from various Enterprise Funds in the amount of \$406,315 were reported as operating principal payments instead of being allocated between non-operating principal and interest payments;
- Fines, Licenses and Permits in the amount of \$67,535 were classified as general revenues instead of program revenue-charges for services on the governmental entity wide statements;
- Motor Vehicle License and Gas Tax receipts in the amount of \$126,897 were classified as general revenues instead of program revenue – operating grants on the governmental entity wide statements

**FINDING NUMBER 2009-001  
 (Continued)**

- Swimming pool receipts in the amount of \$56,359 were classified as general revenues instead of program revenue – charges for services on the governmental entity wide statements ;
- Permissive Motor Vehicle Taxes in the amount of \$13,876 were classified as general revenue instead of program revenue – charges for services on the governmental entity wide statements ;
- The governmental entity wide statements reported transfers in the amount of \$1,010,244 between governmental funds instead of eliminating the activity; and
- The business type entity wide statements reported transfers between funds in the amount of \$36,033 instead of eliminating the activity

The failure to accurately record transactions may not only impact the users’ understanding of the financial operations, it may also inhibit the Village Council and management’s ability to make sound financial decisions, may impact the Village’s ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. The accompanying financial statements have been adjusted to correctly reflect the errors identified above.

The Village Fiscal Officer should utilize the Ohio Village Manual, Auditor of State Audit Bulletins and Governmental Accounting Standards Board (GASB) Statement 34, along with other applicable GASB statements guidance, to help reduce the risk of reporting errors in the accounting records and financial statements. The Village’s Fiscal Officer and Council Members should also perform a periodic review of the accounting records and financial reports to help identify financial recording errors.

**FINDING NUMBER 2009-002**

**MATERIAL WEAKNESS / NONCOMPLIANCE FINDING**

**Article XII, Section 5a, Ohio Const. And 1982 Op. Atty Gen No. 82-031** requires interest earned on money derived from a motor vehicle license or fuel tax must follow the principal

During 2009 and 2008, the Village did not credit any interest to the Street Maintenance & Repair Fund, State Highway Fund or Permissive Motor Vehicle License Tax Fund, each of which contain money derived from motor vehicle license and fuel tax monies. Based on the respective fund balances during 2009 and 2008, interest should have been allocated to these funds as follows:

<b>Fund</b>	<b>2009</b>	<b>2008</b>
General Fund	(\$16,715)	(\$22,598)
Street Maintenance & Repair	11,848	16,244
State Highway	305	277
Permissive Motor Vehicle License	4,562	6,077

The failure to record interest revenue in the allowed funds not only impacts the available resources for the fund but may also result in the material misstatement of the financial statements. The accounting records and accompanying financial statements have been adjusted to correctly allocate interest for 2009 and 2008.

The Fiscal Officer should utilize Chapter 5, Section 5-5, of the Ohio Compliance Supplement, as an aid in the recording of interest revenue. The Village Council should adopt an interest allocation policy to help assure that interest is only allocated to the permissible funds and in proportion to the respective fund balances. Further, monthly financial reports should be utilized to help identify interest recording errors.

## FINDING NUMBER 2009-003

### NONCOMPLIANCE FINDING

**Ohio Rev. Code Section 5705.41(D)** states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

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

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

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

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

The Village did not properly certify sixty-nine percent of the expenditures tested during 2009 and 2008.

To improve controls over disbursements, to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, and to reduce financial reporting errors, the Village's Fiscal Officer should certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used. A review should be performed periodically to help assure that outstanding obligations have been certified and recorded in the budgetary accounting system and on the year-end financial statements.

**OFFICIALS RESPONSE:** We did not receive a response from Officials to the findings reported above.

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**Mary Taylor, CPA**  
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  
SEPTEMBER 23, 2010