



Dave Yost • Auditor of State



VILLAGE OF ADENA  
JEFFERSON COUNTY

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# Dave Yost • Auditor of State

## ACCOUNTANT'S REPORT

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

To the Village Council:

We have selectively tested accounts, financial records, files and reports of the Village of Adena, Jefferson County, (the Village) as of and for the year ended December 31, 2013 following Ohio Administrative Code Section 117-4-02.

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

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

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

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

October 6, 2015

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**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Project	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$27,498	\$69,620		\$97,118
Intergovernmental	30,119	50,652	34,830	115,601
Fines, Licenses and Permits	15,353			15,353
Miscellaneous	1,234	217		1,451
<i>Total Cash Receipts</i>	<u>74,204</u>	<u>120,489</u>	<u>34,830</u>	<u>229,523</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	69,115	95,030		164,145
Basic Utility Services	16,018			16,018
Capital Outlay			34,830	34,830
<i>Total Cash Disbursements</i>	<u>85,133</u>	<u>95,030</u>	<u>34,830</u>	<u>214,993</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,929)</u>	<u>25,459</u>		<u>14,530</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		6,600		6,600
Transfers Out	(6,600)			(6,600)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(6,600)</u>	<u>6,600</u>		<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(17,529)	32,059		14,530
<i>Fund Cash Balances, January 1</i>	<u>981</u>	<u>117,984</u>		<u>118,965</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		150,043		150,043
Unassigned (Deficit)	(16,548)			(16,548)
<i>Fund Cash Balances, December 31</i>	<u>(\$16,548)</u>	<u>\$150,043</u>	<u>\$0</u>	<u>\$133,495</u>

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

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ENTERPRISE FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$315,237
Fines, Licenses and Permits	860
Miscellaneous	576
	<u>316,673</u>
<i>Total Operating Cash Receipts</i>	<u>316,673</u>
<b>Operating Cash Disbursements</b>	
Personal Services	46,111
Contractual Services	142,192
Supplies and Materials	67,758
Other	10,026
	<u>266,087</u>
<i>Total Operating Cash Disbursements</i>	<u>266,087</u>
<i>Operating Income (Loss)</i>	<u>50,586</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Ontergovernmental Receipts	78,065
Other Debt Proceeds	128,215
Capital Outlay	(97,648)
Principal Retirement	(59,562)
Interest and Other Fiscal Charges	(6,986)
	<u>42,084</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>42,084</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	92,670
Transfers In	40,832
Transfers Out	(40,832)
Advances In	9,500
Advances Out	(9,500)
	<u>92,670</u>
<i>Net Change in Fund Cash Balances</i>	<u>92,670</u>
<i>Fund Cash Balances, January 1</i>	<u>8,267</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$100,937</u></u>

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



**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

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

The Village values certificates of deposit at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Continued)**

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

**2. Special Revenue Funds**

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

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

**3. Capital Project Funds**

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

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

**4. Enterprise Funds**

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

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

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

VILLAGE OF ADENA  
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Continued)**

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

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

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

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

	2013
Demand deposits	\$214,432
Certificates of deposit	20,000
Total deposits	234,432
Total deposits	\$234,432

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2013 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$69,120	\$74,204	\$5,084
Special Revenue	105,265	127,089	21,824
Capital Projects		34,830	34,830
Enterprise	1,483,826	573,285	(910,541)
Total	\$1,658,211	\$809,408	(\$848,803)

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,677	\$91,733	(\$5,056)
Special Revenue	174,410	95,030	79,380
Capital Projects	34,830	34,830	0
Enterprise	1,546,059	480,615	1,065,444
Total	\$1,841,976	\$702,208	\$1,139,768

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$5,056, Street Maintenance and Repair fund by \$2,753, Park Levy fund by \$2,837, and Guarantee Deposit fund by \$200 for the year ended December 31, 2013. Also contrary to Ohio law, at December 31, 2013, the General fund had cash deficit balance of \$16,548, Sewer Operating fund had a deficit balance of \$13,469 and Water Reserve fund had a deficit balance of \$200. In addition, appropriations exceeded estimated resources in the Police Levy fund by \$668, the Water Line Fund by \$22,034 and the Sewer Project Fund by \$1,019,114.

**4. PROPERTY TAX**

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

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

**5. DEBT**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
OWDA 1442	\$11,289	8.04%
OWDA 1443	\$17,128	7.96%
OWDA 3755	\$371,166	2.00%
OWDA 6442	\$122,371	1.50%
USDA/Mortgage Revenue Bonds	\$20,000	5.00%
Citizens Bank	1,251	8.67%
Total	\$543,205	

The Ohio Water Development Authority (OWDA) loans (#1442, 1443 and 3755) relate to water and sewer planning and construction projects. OWDA approved \$915,606 in loans to the village for this project. The village will repay the loans in semiannual installments for each of the three loans. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Continued)**

**5. DEBT (Continued)**

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

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

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

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

Year ending December 31:	OWDA 1442	OWDA 1443	OWDA 3755	USDA/ Mortgage Revenue Bonds	Citizens Bank
2014	\$12,080	\$7,687	\$41,137	\$11,000	\$1,282
2015		\$7,749	\$41,137	\$10,500	
2016		3,891	41,137		
2017			41,137		
2018			41,137		
2019-2023			205,685		
Total	<u>\$12,080</u>	<u>\$19,327</u>	<u>\$411,370</u>	<u>\$21,500</u>	<u>\$1,282</u>

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has not paid all required contributions required through December 31, 2013.

**7. RISK POOL MEMBERSHIP**

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

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

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Continued)**

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

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

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

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at March 31, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$ 833,561	\$ 1,097,683
Liabilities	<u>(782,525)</u>	<u>(791,222)</u>
Accumulated Surplus	\$ <u>51,036</u>	\$ <u>306,461</u>

**8. INTERFUND ACTIVITY**

The Village made the following transfers during 2013:

	<u>Transfer- In</u>	<u>Transfer- Out</u>
General Fund		\$ 6,600
Street Fund	\$ 2,800	
Park Levy Fund	300	
Police Levy Fund	3,500	
Water Operating Fund		40,832
OWDA Fund	9,814	
Water Bond Fund	10,450	
Waterline Loan Fund	20,565	

The General Fund transferred to other Governmental Fund to assist with operations. The Water Fund transfers were to other enterprise fund to cover debt obligations.

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# Dave Yost • Auditor of State

## ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

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

To the Village Council:

We have selectively tested certain accounts, financial records, files and reports of the Village of Adena, Jefferson County, (the Village) as of and for the year ended December 31, 2013 following Ohio Administrative Code Section 117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

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

During our procedures related to the internal control over financial reporting, we noted matters that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, those matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the schedule of findings as items 2013-001, 2013-006 and 2013-007.

### ***Compliance and Other Matters***

We tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Village. Noncompliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2013-002 through 2013-005.

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

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

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

October 6, 2015

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VILLAGE OF ADENA  
JEFFERSON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013

FINDING NUMBER 2013-001

**Material Weakness**

**Fund Balance Classification**

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

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

<b>Fund</b>	<b>Type</b>	<b>Amount</b>
Street Maintenance and Repair	Fund Balance Equity	\$3,806
Community Development Block Grant	Fund Balance Equity	52
Permanent Motor Vehicle License	Fund Balance Equity	18,028
FEMA	Fund Balance Equity	11,645
Park Levy	Fund Balance Equity	6,167
New Street	Fund Balance Equity	63,547
Emergency Medical Services	Fund Balance Equity	30,418
Fire Levy	Fund Balance Equity	13,356
Police Levy	Fund Balance Equity	3,021

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

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

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

**FINDING NUMBER 2013-002**

**Noncompliance Citation**

**Disbursements Exceeded Appropriations**

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

Actual disbursements exceeded appropriations in the following funds for 2013:

<b>Fund</b>	<b>Appropriations</b>	<b>Disbursements</b>	<b>Variance</b>	<b>Percent</b>
General Fund	\$86,677	\$91,733	(\$5,056)	6%
Street Maintenance & Repairs Fund	\$30,868	\$33,621	(\$2,753)	8%
Park Levy Fund	\$10,919	\$13,756	(\$2,837)	21%
Guarantee Deposit Fund	\$0	\$200	(\$200)	100%

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

**FINDING NUMBER 2013-003**

**Noncompliance Citation**

**Appropriations Exceeded Actual Resources**

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

<b>Fund</b>	<b>Actual Resources</b>	<b>Appropriation</b>	<b>Variance</b>	<b>Percent</b>
Police Levy	\$13,379	\$14,047	\$668	5%
Water Line	\$20,568	\$42,602	\$22,034	52%
Sewer Project	\$121,405	\$1,140,519	\$1,019,114	89%

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

**FINDING NUMBER 2013-004**

**Noncompliance Citation**

**Public Employees Retirement Contributions**

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

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

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

**FINDING NUMBER 2013-005**

**Noncompliance Citation**

**Deficit Fund Balances**

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

As of December 31, 2013 the Village had the following deficit balances:

<b>Fund</b>	<b>Amount</b>
General	\$16,548
Sewer Fund	\$13,469
Water Reserve	\$200

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

**FINDING NUMBER 2013-006**

**Material Weakness**

**Preparation of Financial Statements**

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

The Village did not use the 2012 audited fund balances as the beginning balances for the 2013 financial statements. As a result, adjustments were necessary to reflect the correct beginning balances on the financial statements.

**FINDING NUMBER 2013-006  
 (Continued)**

The Village classified expenditures on the detailed expenditure ledgers in 2013; however, when amounts were carried to the financial statements they were not always included in the proper line items. Generally, expenditures were posted to one line item.

The Village incorrectly classified Enterprise Debt Funds as Debt Service Funds. These funds included: Sewer Project, Water Reserve, Ohio Water Development Authority Loan, Water Bond, and Waterline Loan. These funds were reclassified as Enterprise Fund Type for 2013.

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

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

**FINDING NUMBER 2013-007**

**Material Weakness**

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

Sound accounting practices require the Village to maintain an accounting system that enables them to identify, assemble, analyze, classify, record and report all transactions. The Village Clerk/Treasurer did not correctly post all receipts and disbursements in 2013. This was attributed to the village clerk not abiding by the adopted chart of accounts.

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

<b>Fund</b>	<b>Account</b>	<b>Amount</b>	<b>Description</b>
<i>Adjustments:</i>			
Water Operating	Charges for Services Revenue	\$20,882	Not Posted to Ledgers
Water Operating	Advances In	\$9,500	Not Posted to Ledgers
Ohio Water Development Authority	Interest and Fiscal Charges Expenditures	\$3,878	Posted to Sewer Project Fund as Interest and Fiscal Charges.
New Street Levy	Intergovernmental Revenue	\$1,964	Posted to General Fund as Local Taxes.
Emergency Medical Services Levy	Intergovernmental Revenue	\$3,404	Posted to General Fund as Local Taxes.
Fire Levy	Intergovernmental Revenue	\$1,440	Posted to General Fund as Local Taxes.
Police Levy	Intergovernmental Revenue	\$1,440	Posted to General Fund as Local Taxes.
Park Levy	Intergovernmental Revenue	\$1,178	Posted to General Fund as Local Taxes.
Ohio Water Development Authority	Principal Retirement Expenditures	\$8,344	Not Posted

**FINDING NUMBER 2013-007  
 (Continued)**

<b>Fund</b>	<b>Account</b>	<b>Amount</b>	<b>Description</b>
Ohio Water Development Authority	Interest and Fiscal Services Expenditures	\$5,348	Not Posted to Ledgers
Waterline Loan	Principal Retirement Expenditures	\$16,690	Not Posted to Ledgers
Waterline Loan	Interest and Fiscal Services Expenditures	\$3,878	Not Posted to Ledgers
Sewer Project	Proceeds of Loan Revenue	\$27,235	Not posted to Ledgers
Sewer Project	Capital Outlay Expenditures	\$3,478	Not posted to Ledgers
Sewer Project	Principal Retirement Expenditures	\$23,757	Not posted to Ledgers
Permissive Motor Vehicle License Tax	Local Taxes Revenue	\$415	Posted to Street Maintenance & Repair as Intergovernmental Revenue
Street Maintenance & Repair	Intergovernmental Revenue	\$342	Posted to Permissive Motor Vehicle License Tax Fund as Intergovernmental Revenue
Capital Project	Capital Outlay Expenditures	\$34,830	Not posted to Ledger
Capital Project	Intergovernmental Revenue	\$34,830	Not posted to Ledger
Capital Project	Intergovernmental Revenue	\$78,065	Posted to Sewer Fund as Miscellaneous Revenue.
Capital Project	Capital Outlay Expenditures	\$78,065	Posted to Sewer Project Fund as Capital Outlay.
<i>Reclassifications:</i>			
Sewer Project	Proceeds of Loan Revenue	\$94,170	Recorded as Miscellaneous Revenue.
Water Reserve	Advance Out	\$9,500	Recorded as Other Financing Uses
Sewer Operating	Proceeds of Loan Revenue	\$6,810	Recorded as Miscellaneous Revenue
General	Intergovernmental Revenue	\$7,189	Recorded as Local Taxes
General	Fines, Fees, Permits Revenue	\$14,318	Recorded as Intergovernmental Revenue
General	Intergovernmental Revenue	\$3,950	Recorded as Miscellaneous Revenue
Permissive Motor Vehicle License Tax	Local Taxes Revenue	\$7,153	Recorded as Intergovernmental Revenue
Sewer Operating	Principal Retirement Expenditures	\$1,771	Recorded as Supplies and Materials Expenditures.
Sewer Operating	Interest and Fiscal Charges Expenditures	\$188	Recorded as Supplies and Materials Expenditures.

**FINDING NUMBER 2013-007  
(Continued)**

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

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

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



**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Ohio Rev. Code § 733.28 Clerk/Treasurer Responsibilities	Yes	
2012-002	Ohio Admin. Code § 117-2-02(A) and (D) Accounting Records	Yes	
2012-003	Ohio Admin. Code § 117-2-01(A) Monitoring Controls	Yes	
2012-004	Ohio Admin. Code § 117-2-02(B)(1) and (2) Monthly Reconciliations	Yes	
2012-005	Ohio Rev. Code § 5705.36 Certification or Ending Balances and Appropriations Exceed Resources	Yes	
2012-006	Ohio Rev. Code § 5705.36(A)(4) Appropriations Exceeded Actual Resources	No	Reissued as Finding Number 2013-003
2012-007	Ohio Rev. Code § 5705.41(D) Expenditure Certification	No	Reissued in the Management Letter.
2012-008	Ohio Rev. Code § 5705.41(B) Expenditures Exceeded Appropriations	No	Reissued as Finding Number 2013-002
2012-009	Ohio Rev. Code § 5705.10(I) Deficit Balances	No	Reissued as Finding Number 2013-005
2012-010	Budget Amounts	No	Reissued in the Management Letter.

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# Dave Yost • Auditor of State

VILLAGE OF ADENA

JEFFERSON COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 1, 2015