



**Auditor of State
Betty Montgomery**

VILLAGE OF ADENA
JEFFERSON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2004	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	18

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 15, 2006

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Adena, Jefferson County, (the Village) as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Adena, Jefferson County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2006, 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.



Betty Montgomery
Auditor of State

August 15, 2006

VILLAGE OF ADENA
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$28,114	\$47,060		\$75,174
Special Assessments		8,807		8,807
Intergovernmental Receipts	37,806	83,616		121,422
Fines, Licenses, and Permits	4,027			4,027
Miscellaneous	8,611	1,276		9,887
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	78,558	140,759		219,317
Cash Disbursements:				
Current:				
Security of Persons and Property	10,137	40,377		50,514
Public Health Services	740			740
Leisure Time Activities		14,798		14,798
Transportation		93,689		93,689
General Government	46,129	1,324		47,453
Debt Service:				
Principal Payments		3,469		3,469
Interest Payments		676		676
Capital Outlay		14,667	\$49,489	64,156
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	57,006	169,000	49,489	275,495
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	21,552	(28,241)	(49,489)	(56,178)
Other Financing Receipts and (Disbursements):				
Sale of Bonds or Notes		20,000	49,489	69,489
Transfers-In		4,000		4,000
Transfers-Out	(4,000)			(4,000)
Other Financing Uses	(20,691)			(20,691)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(24,691)	24,000	\$49,489	48,798
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(3,139)	(4,241)		(7,380)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	11,336	43,876		55,212
Fund Cash Balances, December 31	<hr/> \$8,197 <hr/>	<hr/> \$39,635 <hr/>	<hr/> \$49,489 <hr/>	<hr/> \$47,832 <hr/>

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

**VILLAGE OF ADENA
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$287,624
Miscellaneous	12,873
	<u>300,497</u>
Total Operating Cash Receipts	<u>300,497</u>
Operating Cash Disbursements:	
Personal Services	55,533
Contractual Services	144,141
Supplies and Materials	35,689
Other	978
Capital Outlay	250
	<u>236,591</u>
Total Operating Cash Disbursements	<u>236,591</u>
Operating Income/(Loss)	<u>63,906</u>
Non-Operating Cash Receipts:	
Proceeds from Notes and Bonds	70,112
	<u>70,112</u>
Total Non-Operating Cash Receipts	<u>70,112</u>
Non-Operating Cash Disbursements:	
Debt Service	
Principal Payments	67,581
Interest Payments	33,386
Other Non-Operating Cash Disbursements	997
	<u>101,964</u>
Total Non-Operating Cash Disbursements	<u>101,964</u>
Net Receipts Over/(Under) Disbursements	32,054
Fund Cash Balances, January 1	<u>15,979</u>
Fund Cash Balances, December 31	<u>\$48,033</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, 2004

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 governs the Village. The Village provides general government services, including water and sewer utilities, street maintenance and repair, park operations (leisure time activities), and police protection. The Village contracts with Adena Volunteer Fire Department to receive fire protection.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

Certificates of deposit are valued at cost.

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

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

VILLAGE OF ADENA
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

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

Federal Emergency Management Agency Fund -This fund receives federal grant monies for the repair of damages resulting from flooding.

3. **Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Village Waterline Fund - This fund receives note proceeds of general obligation notes. The proceeds are being used to construct a new Village waterline.

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

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

Sewer Bond Retirement and Reserve Fund - This fund receives charges for services from residents to cover the repayment of sewer revenue bonds.

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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. **Estimated Resources**

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

**VILLAGE OF ADENA
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not consistently use the encumbrance method of accounting as required by Ohio law.

A summary of 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004
Demand deposits	\$75,865
Certificates of deposit	20,000
Total deposits	\$95,865

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,979	\$78,558	\$579
Special Revenue	161,080	164,759	3,679
Capital Projects		49,489	49,489
Enterprise	378,373	370,609	(7,764)
Total	\$617,432	\$663,415	\$45,983

**VILLAGE OF ADENA
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

3. BUDGETARY ACTIVITY - (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,263	\$81,697	\$7,566
Special Revenue	206,248	169,000	37,248
Capital Projects		49,489	(49,489)
Enterprise	364,076	338,555	25,521
Total	\$659,587	\$638,741	\$20,846

Contrary to Ohio Revised Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority in the Street Construction, Maintenance, and Repair Fund, the Community Development Block Grant Fund and Sanitary Sewer Fund by \$3,300, \$969 and \$14,715, respectively. Also contrary to Ohio Revised Code Section 5705.10, the Street Construction, Maintenance, and Repair Fund and the Sanitary Sewer Fund had cash deficit balances of \$2,827 and \$14,299, respectively.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan (PW-88)	\$78,880	8.04%
Ohio Water Development Authority Loan (PW-90)	56,160	7.96%
Sewer Revenue Bonds	64,950	4.0-4.5%
Water Revenue Bonds	89,000	5.00%
Ohio Water Development Authority Loan (PW-92)	646,612	2.00%
Street Truck General Obligation Note	16,530	5.00%
Water General Obligation Note	64,838	5.50%
Total	\$1,016,970	

**VILLAGE OF ADENA
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loans (PW-88 and PW-90) were issued for long term construction projects of the Village's sewer system and were issued for twenty-five years each. Future utility revenue of the Village have been pledged to repay the loans.

The Sewer and Water Revenue Bonds were issued to pay for the sewer and water projects within the Village. Future sewer and water utility revenue have been pledged to repay the bonds.

The Ohio Water Development Authority (OWDA) PW-92 loan was issued for along term construction project of the Village's water system and was issued for twenty years. Future utility revenue of the Village have been pledged to repay the loan.

The Street Truck General Obligation Note was issued to purchase a new street truck for the Village. The Truck has been pledged as collateral for the note.

The Water General Obligation Note was issued to pay the debt owed to Tri-County Water for water purchases. Future water utility revenue has been pledged to repay the note.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>OWDA</u>	<u>General Obligation Notes</u>	<u>Sewer Revenue Bonds</u>	<u>Water Revenue Bonds</u>
2005	\$51,932	\$25,093	\$23,677	\$10,450
2006	61,336	25,093	22,812	11,150
2007	61,433	25,093	23,897	10,800
2008	61,538	14,415		10,450
2009	61,651			11,100
2010-2014	310,298			53,350
2015-2019	224,650			10,500
2020-2024	170,408			
Total	<u>\$1,003,246</u>	<u>\$89,694</u>	<u>\$70,386</u>	<u>\$117,800</u>

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

VILLAGE OF ADENA
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

7. RISK MANAGEMENT

Risk Pool Membership

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

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Assets	\$2,390,150	\$1,811,340
Liabilities	<u>(3,424,271)</u>	<u>(3,653,152)</u>
Accumulated deficit	<u>(\$1,034,121)</u>	<u>(\$1,841,812)</u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Village Council:

We have audited the financial statements of the Village of Adena, Jefferson County, (the Village) as of and for the year ended December 31, 2004 and have issued our report thereon dated August 15, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting 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. A reportable condition is described in the accompanying schedule of findings as item 2004-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated August 15, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-003. In a separate letter to the Village's management dated August 15, 2006, we reported other matters related to noncompliance we deemed immaterial.

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.



Betty Montgomery
Auditor of State

August 15, 2006

VILLAGE OF ADENA
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004

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

FINDING NUMBER 2004-001

Non Compliance Citation

Ohio Revised Code Section 5705.10 states that money that is paid into a fund must be used only for the purpose for which such fund has been established. A negative fund balance indicates that money from another fund(s) was used to cover the expenses of the funds listed below.

<u>Fund</u>	<u>Balance</u>
Street Construction, Maintenance and Repair Fund	\$ (2,827)
Sanitary Sewer Fund	\$ (14,299)33

The Village should monitor fund balances closely and take appropriate action if a fund balance is near zero to prevent negative fund balances from occurring.

FINDING NUMBER 2004-002

Non Compliance Citation

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making expenditure unless it has been properly appropriated.

Expenditures exceeded appropriations in the following funds for 2004:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Dollar Variance</u>
Street Construction, Maintenance, and Repair Fund	\$33,181	\$36,481	(\$3,300)
CDBG Waterline Replacement Fund	\$0	\$969	(\$969)
Sanitary Sewer Fund	\$70,464	\$85,179	(\$14,715)

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

FINDING NUMBER 2004-003

Non Compliance Citation

Ohio Revised Code Section 5705.41(D) provides 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 that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

- 2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal 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 Village may also make expenditures and contracts for any amount from a specific line item appropriation 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 extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Village did not properly certify or record the amount against the applicable appropriation accounts for 60% of tested expenditures in 2004. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. 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. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2004-004

Reportable Condition

All public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. The Village did not correctly code and classify receipts and expenditures. As a result, errors occurred including the misclassification of revenue totaling \$314,256 and misclassification of expenditures totaling \$845,412. In addition, numerous immaterial misclassification errors were identified but not adjusted. The Clerk/Treasurer has agreed to and posted the material reclassifications to the ledgers. These corrected amounts are reflected in the accompanying financial statements.

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

Officials' Response

We did not receives response from Officials to the findings reported above.

**VILLAGE OF ADENA
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-001	ORC 731.13 A former Councilman was overpaid – A finding for recovery issued	No	Not Corrected
2003-002	ORC 731.13 A former Councilman was overpaid – A finding for recovery issued	No	Not Corrected
2003-003	ORC 731.13 A former Councilman was overpaid – A finding for recovery issued	No	Not Corrected
2003-004	ORC 731.13 A former Councilman was overpaid – A finding for recovery issued	No	Not Corrected
2003-005	Ohio Revised Code 5705.10 Three funds had negative balances	No	Repeated as Finding 2004-001
2003-006	Ohio Revised Code Section 5705.41(B) Expenditures exceeded appropriations	No	Repeated as Finding 2004-002
2003-007	Ohio Revised Code Section 5705.41(D) Expenditures were not properly certified	No	Repeated as Finding 2004-003
2003-008	The Village should follow a uniform chart of accounts to post all transactions	No	Repeated as Finding 2004-004



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF ADENA

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 9, 2006**