



**VILLAGE OF ADELPHI
ROSS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA
Auditor of State

VILLAGE OF ADELPHI
ROSS COUNTY

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Mary Taylor, CPA

Auditor of State

Village of Adelphi
Ross County
11759 Market Street
P.O. Box 568
Adelphi, Ohio 43101

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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village 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 adverse 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 21, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Adelphi
Ross County
11759 Market Street
P.O. Box 568
Adelphi, Ohio 43101

To the Village Council:

We have audited the accompanying financial statements of Village of Adelphi, Ross County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2006 and 2005 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, 2006 and 2005, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of Village of Adelphi, Ross County, Ohio, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 21, 2007, 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.



Mary Taylor, CPA
Auditor of State

August 21, 2007

**VILLAGE OF ADELPHI
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 7,388	\$ 10,550	\$ 17,938
Intergovernmental	36,849	17,819	54,668
Fines, Licenses and Permits	3,676	-	3,676
Earnings on Investments	181	490	671
Miscellaneous	4,530	10,275	14,805
	<u>52,624</u>	<u>39,134</u>	<u>91,758</u>
Total Cash Receipts			
	<u>52,624</u>	<u>39,134</u>	<u>91,758</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,759	1,802	3,561
Transportation	-	2,497	2,497
General Government	59,237	2,300	61,537
Debt Service:			
Redemption of Principal	4,904	2,767	7,671
Interest and Fiscal Charges	-	2,253	2,253
	<u>65,900</u>	<u>11,619</u>	<u>77,519</u>
Total Cash Disbursements			
	<u>65,900</u>	<u>11,619</u>	<u>77,519</u>
Total Receipts Over/(Under) Disbursements	<u>(13,276)</u>	<u>27,515</u>	<u>14,239</u>
Other Financing (Disbursements):			
Transfers-Out	(2,400)	-	(2,400)
	<u>(2,400)</u>	<u>-</u>	<u>(2,400)</u>
Total Other Financing Receipts / (Disbursements)			
	<u>(2,400)</u>	<u>-</u>	<u>(2,400)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(15,676)</u>	<u>27,515</u>	<u>11,839</u>
Fund Cash Balances, January 1	<u>47,444</u>	<u>55,396</u>	<u>102,840</u>
Fund Cash Balances, December 31	<u>\$ 31,768</u>	<u>\$ 82,911</u>	<u>\$ 114,679</u>
Reserve for Encumbrances, December 31	<u>\$ 645</u>	<u>\$ -</u>	<u>\$ 645</u>

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 6,532
Total Operating Cash Receipts	6,532
Operating Cash Disbursements:	
Personal Services	2,315
Employee Fringe Benefits	156
Supplies and Materials	195
Other	45
Total Operating Cash Disbursements	2,711
Operating Income	3,821
Non-Operating Cash Receipts:	
Other Debt Proceeds	19,794
Total Non-Operating Cash Receipts	19,794
Non-Operating Cash Disbursements:	
Capital Outlay	4,529
Redemption of Principal	15,265
Total Non-Operating Cash Disbursements	19,794
Excess of Receipts Over Disbursements Before Interfund Transfers	3,821
Transfers-In	2,400
Net Receipts Over Disbursements	6,221
Fund Cash Balances, January 1	2,300
Fund Cash Balances, December 31	\$ 8,521
Reserve for Encumbrances, December 31	\$ 10,500

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 7,606	\$ 9,106	\$ 16,712
Intergovernmental	37,577	16,390	53,967
Fines, Licenses and Permits	3,367	-	3,367
Earnings on Investments	776	231	1,007
Miscellaneous	5,557	3,850	9,407
	<u>54,883</u>	<u>29,577</u>	<u>84,460</u>
Total Cash Receipts	54,883	29,577	84,460
Cash Disbursements:			
Current:			
Security of Persons and Property	2,378	3,243	5,621
Transportation	-	6,467	6,467
General Government	56,499	2,300	58,799
Debt Service:			
Redemption of Principal	2,911	4,762	7,673
Interest and Fiscal Charges	944	1,258	2,202
	<u>62,732</u>	<u>18,030</u>	<u>80,762</u>
Total Cash Disbursements	62,732	18,030	80,762
Total Receipts Over/(Under) Disbursements	(7,849)	11,547	3,698
Other Financing Receipts / (Disbursements):			
Sale of Fixed Assets	-	3,000	3,000
Transfers-Out	(2,600)	-	(2,600)
Advances-In	100	100	200
Advances-Out	(100)	(100)	(200)
	<u>(2,600)</u>	<u>3,000</u>	<u>400</u>
Total Other Financing Receipts / (Disbursements)	(2,600)	3,000	400
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(10,449)	14,547	4,098
Fund Cash Balances, January 1	57,893	40,849	98,742
Fund Cash Balances, December 31	\$ 47,444	\$ 55,396	\$ 102,840
Reserve for Encumbrances, December 31	\$ 5,000	\$ -	\$ 5,000

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Types
	Enterprise
Operating Cash Disbursements:	
Personal Services	\$ 2,395
Employee Fringe Benefits	159
Total Operating Cash Disbursements	2,554
Operating (Loss)	(2,554)
Non-Operating Cash Receipts:	
Intergovernmental	436,209
Earnings on Investments	1,151
Other Debt Proceeds	487,884
Total Non-Operating Cash Receipts	925,244
Non-Operating Cash Disbursements:	
Capital Outlay	1,055,898
Total Non-Operating Cash Disbursements	1,055,898
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(133,208)
Transfers-In	2,600
Net Receipts (Under) Disbursements	(130,608)
Fund Cash Balances, January 1	132,908
Fund Cash Balances, December 31	\$ 2,300

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Adelphi, Ross County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, fire services, and sewer utilities. The Village contracts with the Ross County Sheriff's department to provide security of persons and property.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

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

2. Special Revenue Funds

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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

Fire Levy Fund – This fund receives property taxes to provide fire and rescue services to the Village.

Fire and Squad Operating Fund – This fund receives fund raising monies to help provide fire and rescue services to the Village.

3. Enterprise Fund

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 Fund:

Sewer Fund- This fund receives charges for services from residents to cover sewer service costs. In addition, this fund receives monies from the Ohio Water Development Authority and United States Department of Agriculture for the installation of sewer lines.

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 object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool all funds use, except in 2005 the Street, Construction, Maintenance, Repair fund had a \$25,000 CD specific to that fund. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2006	2005
Demand deposits	\$52,881	\$50,140
Certificates of deposit	70,319	55,000
Total deposits and investments	\$123,200	\$105,140

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 years ending December 31, 2006 and December 31, 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,490	\$52,624	\$1,134
Special Revenue	27,017	39,134	12,117
Enterprise	479,083	28,726	(450,357)
Total	\$557,590	\$120,484	(\$437,106)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$75,429	\$68,945	\$6,484
Special Revenue	60,706	11,619	49,087
Enterprise	480,186	33,005	447,181
Total	\$616,321	\$113,569	\$502,752

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,649	\$54,983	\$3,334
Special Revenue	26,431	32,677	6,246
Enterprise	660,170	927,844	267,674
Total	\$738,250	\$1,015,504	\$277,254

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$104,929	\$70,432	\$34,497
Special Revenue	62,100	18,130	43,970
Enterprise	792,270	1,058,452	(266,182)
Total	\$959,299	\$1,147,014	(\$187,715)

Contrary to Ohio law, appropriations exceeded estimated resources in the Sewer Operating funds by \$8,954 at March 31, 2006 and in the Fire Levy Fund by \$5,326 at December 31, 2006. In addition, expenditures exceeded appropriations at the following object levels in 2005:

Fund/Object	Variance
Fire & Squad Operating - Principal	\$ (3,762)
Sewer Operating - Personal Services	\$ (2,395)
OPWC Sewer Grant - Utility Distribution System	\$ (19,771)
USDA Sewer Construction Loan - Utility Distribution System	\$ (27,352)
OWDA - Other Contractual Services	\$ (216,606)

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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Promissory Note - Squad	\$17,224	7.25%
Promissory Note - Fire Truck	14,402	4.50%
OWDA Loan #2657	117,601	2.20%
OWDA Loan #4227	1,077,598	1.00%
Total	<u>\$1,226,825</u>	

On May 8, 2001, the Village obtained a loan in the amount of \$33,243.67 at an interest rate of 7.25% from Kingston National Bank to purchase an emergency squad. The Village's older squad was used as collateral. The Village will make monthly payments of \$390.36, including interest, over 10 years to repay the loan.

On December 30, 2004, the Village obtained a loan in the amount of \$23,000 at an interest rate of 4.5% from Salt Creek Valley Bank to purchase a fire truck. The Village will repay the loan annually in the amount of \$5,239.44, including interest, over 9 years.

The Ohio Water Development Authority (OWDA) loans relate to a sewer project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,195,199 in loans to the Village for this project. The Village will repay loan #2657 in semiannual installments of \$3,649.99, including interest, over 20 years. The Village will repay loan #4227 in semiannual installments of \$20,832.98, including interest, over 30 years. The scheduled payment amounts below assume that \$1,195,199 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipts were pledged to repay the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

Year ending December 31:	Promossiroy			
	Promossioy Note -Squad	Note- Fire Truck	OWDA Loan #2657	OWDA Loan #4227
2007	\$4,684	\$5,239	\$7,300	\$20,833
2008	\$4,684	5,239	7,300	41,666
2009	\$4,684	5,239	7,300	41,666
2010	\$4,684	0	7,300	41,666
2011	\$1,948	0	7,300	41,666
2012-2016	0	0	36,500	208,330
2017-2021	0	0	36,500	208,330
2022-2026	0	0	36,500	208,330
2027-2031	0	0	0	208,330
2032-2036	0	0	0	208,330
2037	0	0	0	20,833
Total	<u>\$20,685</u>	<u>\$15,717</u>	<u>\$146,000</u>	<u>\$1,249,980</u>

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RETIREMENT SYSTEMS

The Village has no full time employees. All elected and appointed officials pay 6.2% of their salary into the social security system. The Village also pays 6.2% of those salaries into the social security system.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.
- Inland Marine
- Public Officials
- Crime

On June 1, 2006, the Village obtained coverage of \$50,000 for each electronic data incident for which they had no such coverage in the prior year.

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal and state government. The grantor 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.

9. RELATED PARTY TRANSACTIONS

Mandi Hettinger was hired as a private contractor in fiscal year 2006 to provide cleaning, painting, and repair services at the community center. Mandi Hettinger is the wife of Board member Josh Hettinger. Total compensation paid during fiscal year 2006 was \$443.75.

10. SUBSEQUENT EVENTS

On November 22, 2006, the squad was in an accident and totaled. On January 30, 2007, the Village's insurance company paid off the remaining balance on the squad promissory note in the amount of \$17,386.21. The check was issued to Kingston National Bank.

On March 5, 2007, the Village obtained a loan with Salt Creek Valley Bank for the purchase of a 2007 squad in the amount of \$18,309.97 over a five year period at a fixed interest rate of 5.4%.



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 Adelphi
Ross County
11759 Market Street
P.O. Box 568
Adelphi, Ohio 43101

To the Village Council:

We have audited the financial statements of Village of Adelphi, Ross County, (the Village), as of and for the years ended December 31, 2006 and December 31, 2005, and have issued our report thereon dated August 21, 2007 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.01 requires the Auditor of State to provide UAN services, and Ohio Revised Code § § 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-004.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-002 and 2006-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 21, 2007.

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 2006-003 and 2006-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 21, 2007.

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



Mary Taylor, CPA
Auditor of State

August 21, 2007

VILLAGE OF ADELPHI
ROSS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Approving Time Cards – Significant Deficiency

Sound internal controls would require supervisory approval of employee time cards. The sewer clerk completes a time card for each monthly pay period; however, there is no supervisory review and/or approval of the time card.

Failure to have approval of time worked could result in incorrect documented time spent and payment for performing the duties of the sewer clerk.

We recommend the Village Council implement procedures requiring supervisor review and approval of the sewer clerk's time cards.

FINDING NUMBER 2006-002

Financial Statement Adjustments – Material Weakness/ Significant Deficiency

Sound financial reporting is the responsibility of the Fiscal Officer of the Village and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the financial statements:

1. To reclassified \$4,529 and \$216,605 of intergovernmental revenues to other debt proceeds. for 2006 and 2005, respectively.
2. To reclassify contractual services to capital outlay in the amount of \$216,605 in 2005.
3. To record payment made to contractor by Ohio Public Works Commission in the amount of \$38,891 in 2005.
4. To correct posting of Ohio Water Development Authority loan and payment to contractor in the amount of \$271,279 in 2005.
5. To record payment to Ohio Water Development Authority from Ohio Public Works Commission in the amount of \$15,265 for 2006.
6. To correct various notes to the financial statements.
7. To reclassify miscellaneous receipts to sale of fixed assets in the amount \$3,000 for the sale of the Village's used ambulance in 2005.

The adjustments, reclassifications, and corrections to notes identified above should be reviewed by the Fiscal Officer to ensure that similar errors are not reported on financial statements in subsequent years.

**VILLAGE OF ADELPHI
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

FINDING NUMBER 2006-003

Appropriations Exceeding Estimated Resources - Non-Compliance/Significant Deficiency

Ohio Rev. Code Section 5705.39 states in part that the total appropriation from each fund shall not exceed the total estimated resources as certified by the County Budget Commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The following funds had appropriations exceeding estimated resources:

Date	Fund	Estimated Resources (Estimated Revenue + Unencumbered Fund Balance)	Council Approved Appropriations	Variance
March 31, 2006	Sewer Operating	\$8,046	\$17,000	(\$8,954)
December 31, 2006	Fire Levy	\$524	\$5,850	(\$5,326)

By approving appropriations that exceed estimated revenue, the Village is not in compliance with Ohio Revised Code. We recommend the Village review estimated resources prior to approving or amending appropriations. If estimated resources are not sufficient to support planned appropriations, the Village should modify appropriations or request an amended certificate if new revenue sources are identified.

FINDING NUMBER 2006-004

Expenditures Exceeding Appropriations- Non-Compliance/Significant Deficiency/Material Weakness

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to spend money unless it has been appropriated. The legal level of budgetary control for the Village is the level at which Council adopts the original appropriation measure. In addition, Ohio Rev. Code Section 5705.40 states in part that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation.

Expenditures exceeded appropriations at the object level, which is the legal level at which Council adopted its appropriation measure, for the year ended December 31, 2005 as follows:

Fund - Object	Appropriation Authority	Actual Expenditures	Variance
Fire & Squad Operating - Principal	\$1,000	\$4,762	(\$3,762)
Sewer Operating - Personal Services	\$0	\$2,395	(\$2,395)
OPWC Sewer Grant - Utility Distribution System	\$38,891	\$58,662	(\$19,771)
USDA Sewer Construction Loan - Utility Distribution System	\$482,000	\$509,352	(\$27,352)
OWDA - Other Contractual Services	\$271,279	\$487,885	(\$216,606)

VILLAGE OF ADELPHI
ROSS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2006-004 (Continued)

Expenditures Exceeding Appropriations- Non-Compliance/Significant Deficiency/Material Weakness (Continued)

The Village Fiscal Officer was updating appropriation amounts throughout the year without Village Council approval. This has caused the Village to be in violation of 5705.41 (B).

We recommend the Council approve all changes to appropriations in the minute record and amend estimated resources, if necessary. In addition, the Village Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations.

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

VILLAGE OF ADELPHI
ROSS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC Section 5705.41(D) 28% of disbursements had no prior certification	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF ADELPHI

ROSS 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 15, 2007**