



Dave Yost • Auditor of State

VILLAGE OF ADELPHI
ROSS COUNTY

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Dave Yost • 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.

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Dave Yost
Auditor of State

October 7, 2011

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Dave Yost • 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 the Village of Adelphi, Ross County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009. 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(A) mandates 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, 2010 and 2009 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, 2010 and 2009, 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 of the Village of Adelphi, Ross County, Ohio as of December 31, 2010 and 2009, 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 October 7, 2011, 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.



Dave Yost
Auditor of State

October 7, 2011

**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, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 2,894	\$ 159	\$ 3,053
Municipal Income Tax	3,726	-	3,726
Intergovernmental	52,613	20,278	72,891
Fines, Licenses and Permits	4,169	-	4,169
Earnings on Investments	1,108	965	2,073
Miscellaneous	2,374	1,117	3,491
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	66,884	22,519	89,403
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	15,312	88	15,400
Transportation	-	121,039	121,039
General Government	32,079	-	32,079
Debt Service:			
Redemption of Principal	3,654	-	3,654
Interest and Fiscal Charges	623	-	623
Capital Outlay	-	908	908
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	51,668	122,035	173,703
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	15,216	(99,516)	(84,300)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	13,368	105,299	118,667
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 28,584</u>	<u>\$ 5,783</u>	<u>\$ 34,367</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 FUND CASH BALANCE - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 132,465
Total Operating Cash Receipts	<u>132,465</u>
Operating Cash Disbursements:	
Personal Services	4,598
Employee Fringe Benefits	831
Contractual Services	268
Other	<u>47,238</u>
Total Operating Cash Disbursements	<u>52,935</u>
Operating Income	<u>79,530</u>
Non-Operating Cash Disbursements:	
Redemption of Principal	53,983
Interest and Other Fiscal Charges	<u>17,969</u>
Total Non-Operating Cash Disbursements	<u>71,952</u>
Net Receipts (Under) Disbursements	7,578
Fund Cash Balances, January 1	<u>46,737</u>
Fund Cash Balances, December 31	<u>\$ 54,315</u>

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, 2009**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 2,819	\$ 2,150	\$ 4,969
Intergovernmental	32,116	20,732	52,848
Fines, Licenses and Permits	3,984	-	3,984
Earnings on Investments	303	141	444
Miscellaneous	2,006	200	2,206
	<u>41,228</u>	<u>23,223</u>	<u>64,451</u>
Total Cash Receipts			
	<u>41,228</u>	<u>23,223</u>	<u>64,451</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	12,135	1,162	13,297
Transportation	-	6,889	6,889
General Government	40,647	-	40,647
Debt Service:			
Redemption of Principal	5,324	3,152	8,476
Interest and Fiscal Charges	226	813	1,039
Capital Outlay	-	340	340
	<u>58,332</u>	<u>12,356</u>	<u>70,688</u>
Total Cash Disbursements			
	<u>58,332</u>	<u>12,356</u>	<u>70,688</u>
Total Receipts Over/(Under) Disbursements	(17,104)	10,867	(6,237)
Fund Cash Balances, January 1	<u>30,472</u>	<u>94,432</u>	<u>124,904</u>
Fund Cash Balances, December 31	<u>\$ 13,368</u>	<u>\$ 105,299</u>	<u>\$ 118,667</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 FUND CASH BALANCE - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 143,261
	<u>143,261</u>
Total Operating Cash Receipts	<u>143,261</u>
Operating Cash Disbursements:	
Personal Services	813
Employee Fringe Benefits	-
Contractual Services	450,239
Other	<u>5,701</u>
Total Operating Cash Disbursements	<u>456,753</u>
Operating Income	<u>(313,492)</u>
Non-Operating Cash Receipts:	
Intergovernmental	-
Other Debt Proceeds	<u>433,691</u>
Total Non-Operating Cash Receipts	<u>433,691</u>
Non-Operating Cash Disbursements:	
Redemption of Principal	61,338
Interest and Other Fiscal Charges	<u>21,448</u>
Total Non-Operating Cash Disbursements	<u>82,786</u>
Net Receipts Over Disbursements	37,413
Fund Cash Balances, January 1	<u>9,324</u>
Fund Cash Balances, December 31	<u>\$ 46,737</u>

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, 2010 AND 2009**

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

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. 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 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, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

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

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for maintaining and repairing state highways through the Village.

3. 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 Fund:

Sewer Operating 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 the U.S. 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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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 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:

	2010	2009
Demand deposits	\$40,824	\$110,426
Certificates of deposit	47,858	54,978
Total deposits and investments	\$88,682	\$165,404

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

3. Budgetary Activity

Budgetary activity for the years ending December 31 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,502	\$66,884	\$27,382
Special Revenue	26,959	22,519	(4,440)
Enterprise	650,945	132,465	(518,480)
Total	\$717,406	\$221,868	(\$495,538)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$65,024	\$51,668	\$13,356
Special Revenue	45,496	122,035	(76,539)
Enterprise	577,105	124,887	452,218
Total	\$687,625	\$298,590	\$389,035

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,522	\$41,228	(\$4,294)
Special Revenue	28,861	23,223	(5,638)
Enterprise	54,000	576,952	522,952
Total	\$128,383	\$641,403	\$513,020

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$55,676	\$58,332	(\$2,656)
Special Revenue	51,805	12,356	39,449
Enterprise	58,272	539,539	(481,267)
Total	\$165,753	\$610,227	(\$444,474)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority at the legal level of control in the General, Street Construction Maintenance and Repair and the Sewer Operating Funds in the amounts of \$2,969 \$88,205, \$42,088, respectively, for the year ended December 31, 2010, and the General and Fire and Squad Operating Funds in the amounts of \$12,135 and \$1,000, respectively, for the year ended December 31, 2009.

Contrary to Ohio Revised Code Section 5705.36(a), the Village did not obtain amended certificates of estimated resources for 2010 or 2009 in the Fire and Squad Operating Fund.

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, 2010 AND 2009
(Continued)**

5. Debt

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Promissory Note - Squad	\$7,686	5.40%
OWDA Loan #2657	95,436	2.20%
OWDA Loan #4227	962,412	1.00%
OWDA Loan #4959	600,896	1.00%
Total	<u><u>\$1,666,430</u></u>	

In March 2007 the Village obtained an \$18,310 bank loan at 5.4% interest for the purchase of an emergency squad. The loan requires the Village to make five annual payments of \$4,276 including interest through March 2013.

In December 2004 the Village obtained a bank loan in the amount of \$23,000 at an interest rate of 4.5% to purchase a fire truck. The loan required repayment in annual installments of \$5,239; the Village made the final payment on this loan in 2009.

The Ohio Water Development Authority (OWDA) loans relate to sewer projects the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,807,822 in loans to the Village for these projects. The Village will repay loan #2657 in semiannual installments of \$3,650, including interest, over 20 years. The Village will repay loan #4227 in semiannual installments of \$20,716, including interest, over 30 years. The Village will repay loan #4959 in semiannual installments of \$11,961, including interest, over 30 years. Sewer receipts were pledged to repay the loans. 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:	<u>Promissory Note - Squad</u>	<u>OWDA Loan #2657</u>	<u>OWDA Loan #4227</u>	<u>OWDA Loan #4959</u>
2011	\$4,276	\$7,300	\$41,432	\$23,921
2012	4,276	7,300	41,432	23,921
2013	-	7,300	41,432	23,921
2014	-	7,300	41,432	23,921
2015	-	7,300	41,432	23,921
2016-2020	-	36,500	207,160	119,607
2021-2025	-	36,500	207,160	119,607
2026-2030	-	7,300	207,160	119,607
2031-2035	-	-	207,160	119,607
2036-2039	-	-	62,148	95,686
Total	<u><u>\$8,552</u></u>	<u><u>\$116,800</u></u>	<u><u>\$1,097,948</u></u>	<u><u>\$693,719</u></u>

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Retirement Systems

The Village has no full-time employees. All of the Village's elected and appointed officials contribute 6.2% of their salaries to the Social Security System; the Village makes a matching contribution of 6.2%.

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.



Dave Yost • 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 the Village of Adelphi, Ross County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated October 7, 2011, 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 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 § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-002 through 2010-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 7, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 7, 2011

**VILLAGE OF ADELPHI
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING 2010-001

Financial Reporting – Material Weakness

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

The following audit adjustments were made to the December 31, 2010 financial statements and the Village's accounting system where applicable:

1. Adjustments to the General Fund to increase Principal \$3,654, increase Interest and Fiscal Charges (\$623) and decrease General Government expenditures \$4,277 to properly present amounts paid related to debt service expenditures on the Village's outstanding loans.
2. Adjustment to the General Fund to reclassify \$3,726 from Property Taxes to Municipal Income Taxes.
3. A reclassification entry within the General Fund of \$573 to increase Intergovernmental Revenue and decrease Property Taxes to properly present tangible property tax reimbursements and homestead/rollback.
4. A reclassification entry within the General Fund of \$1,073 from Miscellaneous Revenue to Earnings on Investments, to properly present interest earnings on certificates of deposit.
5. A reclassification entry within the Special Revenue Funds of \$1,906 to increase Intergovernmental Revenue and decrease Property Taxes for amounts received for permissive motor vehicle taxes.
6. A reclassification entry within the Special Revenue Funds of \$933 from Miscellaneous Revenue to Earnings on Investments, to properly present interest earnings on certificates of deposit.

The following audit adjustments were made to the December 31, 2009 financial statements and the Village's accounting system where applicable:

1. An adjustment to the General Fund to increase Principal and decrease General Government expenditures by \$312 to properly present amounts paid related to debt service expenditures.
2. Adjustments to the Special Revenue Funds to increase Principal \$3,152, increase Interest and Fiscal Charges \$813 and decrease Security of Persons and Property expenditures \$3,965 to properly present amounts paid related to debt service expenditures.
3. An adjustment to correct monies posted to an incorrect fund; \$5,235 of Loan Proceeds for the OWDA Enterprise Fund was incorrectly posted as Property and Other Local Taxes in the Street Construction Maintenance and Repair Special Revenue Fund.
4. Reclassification entries within the Special Revenue Funds of \$1,157 to increase Intergovernmental Revenue and decrease Property Taxes for amounts received for permissive motor vehicle taxes.

VILLAGE OF ADELPHI
ROSS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)

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

FINDING 2010-001 (Continued)

Financial Reporting – Material Weakness (Continued)

5. Reclassification entries within the Enterprise Funds of \$701 to decrease Personal Services and increase Other Expenses.
6. Reclassification entries to the Enterprise Funds to increase Contractual Services \$5,658 and decrease Principal \$3,881 and Interest and Fiscal Charges \$1,777 for expenditures that were misclassified.
7. Reclassification entries of \$14,139 to the Enterprise Funds to increase Charges for Services and decrease Intergovernmental Revenue for user fees that were misclassified.
8. A reclassification of \$428,456 to the Enterprise Funds to increase Other Debt Proceeds and decrease Intergovernmental Revenue for proceeds of loans that were misclassified.

The adjustments and reclassifications identified above should be reviewed by the Fiscal Officer to ensure that similar errors are not reported on financial statements in subsequent years. In addition, we recommend the Village adopt procedures for the review of the activity posted to the accounting records and financial statements.

FINDING NUMBER 2010-002

**Certification of Funds Prior to Commitment
Material Noncompliance**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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.

VILLAGE OF ADELPHI
ROSS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)

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

FINDING NUMBER 2010-002 (Continued)

**Certification of Funds Prior to Commitment
Material Noncompliance (Continued)**

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

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

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 account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Forty-two percent of 2010 and 2009 disbursements we examined were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund 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, we recommend that the Treasurer 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.

**VILLAGE OF ADELPHI
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

FINDING NUMBER 2010-002

**Certification of Funds Prior to Commitment
Material Noncompliance (Continued)**

We also recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 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 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 2010-003

**Expenditures Exceed Appropriations
Material Noncompliance**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending 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.

Budgetary expenditures exceeded appropriations at legal level of control for year ended December 31, 2010 as follows:

<u>Fund/Function/Object</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund/Security of Persons & Property/Other	\$ 12,386	\$ 15,312	\$ (2,926)
Street Fund/Transportation/Other	23,690	111,895	(88,205)
Sewer Operating/Basic Utility Services/Other	5,150	47,238	(42,088)

Budgetary expenditures exceeded appropriations at legal level of control for year ended December 31, 2009 as follows:

<u>Fund/Function/Object</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund/Security of Persons & Property/Other	\$ -	\$ 12,135	\$ (12,135)
Fire & Squad Operating/Security of Persons & Proper	-	1,000	(1,000)

**VILLAGE OF ADELPHI
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

FINDING NUMBER 2010-003 (Continued)

**Expenditures Exceed Appropriations
Material Noncompliance (Continued)**

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Village Council may approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2010-004

**Accounting System Does Not Reflect Official Amounts
Material Noncompliance**

Ohio Administrative Code 117-2-02 (A) All local public offices shall 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Accounting data such as budgeted revenues and appropriations in the Village's accounting system should always agree to the amounts actually filed with the County Budget Commission in the Village's Official Certificates of Estimated Resources and Appropriation Resolutions and any amendments.

At December 31, 2010 we noted the budgeted amounts in the Village's accounting system did not agree to the last Official Amended Certificate of Estimated Resources filed with the County Budget Commission and Appropriation Resolution approved by the Village Council as follows:

Fund	Estimated Revenue Filed With County	Estimated Revenue per Accounting System	Variance
General Fund	\$ 65,024	\$ 66,134	\$ 1,110
Street Construction Maint. and Repair	23,690	113,000	89,310
Fire & Squad Operating	1,030	74	(956)
Sewer Operating	62,105	154,062	91,957

**VILLAGE OF ADELPHI
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-004 (Continued)

**Accounting System Does Not Reflect Official Amounts
Material Noncompliance (Continued)**

Fund	Appropriations approved by Council	Appropriations per Accounting System	Variance
General Fund	\$ 65,024	\$ 66,134	\$ 1,110
Street Construction Maint. and Repair	23,690	113,000	89,310
Fire & Squad Operating	1,030	74	(956)
Sewer Operating	62,105	154,062	91,957

At December 31, 2009 we noted the budgeted amounts in the Village's accounting system did not agree to the last Official Amended Certificate of Estimated Resources filed with the County Budget Commission and Appropriation Resolution approved by the Village Council as follows:

Fund	Estimated Revenue Filed With County	Estimated Revenue per Accounting System	Variance
General Fund	\$ 55,677	\$ 67,829	\$ 12,152
Street Construction Maint. and Repair	30,000	23,000	(7,000)
Fire & Squad Operating	6,895	1,000	(5,895)
Sewer Operating	58,272	96,539	38,267

Fund	Appropriations approved by Council	Appropriations per Accounting System	Variance
General Fund	\$ 55,677	\$ 67,829	\$ 12,152
Street Construction Maint. and Repair	30,000	23,000	(7,000)
Fire & Squad Operating	6,895	1,000	(5,895)
Sewer Operating	58,272	96,539	38,267

We recommend the Fiscal Officer update the Village's accounting system as budget estimates are filed with the County Budget Commission and approved by the Village Council; budgeted amounts in the accounting system at any given point in time should agree to the amounts in the most recent Official Amended Certificate of Estimated Resources and the Annual Appropriation Measure.

**VILLAGE OF ADELPHI
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

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

FINDING NUMBER 2010-005

**Amended Certificates of Estimated Resources
Material Noncompliance**

Ohio Rev. Code 5705.36(A)(3) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess.

Ohio Rev. Code 5705.36(A)(4) states that upon a 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 that 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.

Ohio Rev. Code 5705.36(A)(5) states that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

We noted the following significant differences between the Village's revenue estimates and actual revenues at December 31, 2010, which should have also resulted in an amended certificate of estimated resources and corresponding amendments to appropriations:

Fund	Appropriations	Actual Resources	Variance
Fire & Squad Operating	\$ 1,030	\$ 74	\$ (956)

We noted the following significant differences between the Village's revenue estimates and actual revenues at December 31, 2009, which should have also resulted in an amended certificate of estimated resources and corresponding amendments to appropriations:

Fund	Appropriations	Actual Resources	Variance
Fire & Squad Operating	\$ 6,895	\$ 1,074	\$ (5,821)

VILLAGE OF ADELPHI
ROSS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2010-005 (Continued)

**Amended Certificates of Estimated Resources
Material Noncompliance (Continued)**

Failure to appropriately amend estimated resources and appropriations as a result of known significant revenue variances could have resulted in deficit spending in the above funds.

We recommend the Village implement procedures to monitor estimated and actual revenues and request an amended certificate of estimated resources and amend appropriations, when necessary, when it becomes evident that actual revenues will vary from estimates for the year.

Officials' Response:

We did not receive an Officials response to any of the findings noted above.

**VILLAGE OF ADELPHI
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Financial Statement Adjustments – several audit adjustments were required.	No	Re-Issued as Finding 2010-001
2008-002	Material Non-Compliance – Ohio Rev. Code 5705.41(D) – Village did not certify availability of funds prior to commitment	No	Re-Issued as Finding 2010-002
2008-003	Material Non-Compliance – Ohio Rev. Code 5705.41(B) – Budgetary expenditures exceeded appropriations.	No	Re-Issued as Finding 2010-003
2008-004	Material Non-Compliance – Ohio Rev. Code 5705.36 – Village did not obtain amended certificates of estimated resources.	No	Re-Issued as Finding 2010-005

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Dave Yost • 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 17, 2011