

**VILLAGE OF ADA
HARDIN COUNTY, OHIO**

Financial Statements
(Audited)

For the Year Ended
December 31, 2016

CRYSTAL HUFFER, FISCAL OFFICER



Dave Yost • Auditor of State

Members of Council and Mayor
Village of Ada
115 W. Buckeye Street
Ada, Ohio 45810

We have reviewed the *Independent Auditor's Report* of the Village of Ada, Hardin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Ada is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

June 6, 2017

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**VILLAGE OF ADA
HARDIN COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Village of Ada
Hardin County
115 W. Buckeye Street
Ada, Ohio 45810

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Ada, Hardin County, Ohio, as of and for the year ended December 31, 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village of Ada's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village of Ada's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village of Ada prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village of Ada does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Ada as of December 31, 2016, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Ada, Hardin County, Ohio, as of December 31, 2016, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2017, on our consideration of the Village of Ada'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Ada's internal control over financial reporting and compliance.



Julian & Grube, Inc.
April 6, 2017

**VILLAGE OF ADA
HARDIN COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Property and Other Local Tax:	\$ 69,279	\$ -	\$ -	\$ 69,279
Municipal Income Tax	1,146,913	745,494	-	1,892,407
Intergovernmental	124,363	149,413	423,225	697,001
Special Assessments	98,176	-	-	98,176
Charges for Services	34,008	48,847	-	82,855
Fines, Licenses and Permits	28,208	-	-	28,208
Earnings on Investments	37,405	3,574	-	40,979
Miscellaneous	60,614	10,605	25,301	96,520
Total cash receipts	<u>1,598,966</u>	<u>957,933</u>	<u>448,526</u>	<u>3,005,425</u>
Cash disbursements:				
Current:				
Security of Persons and Property	171,115	573,183	-	744,298
Public Health Services	13,745	-	-	13,745
Leisure Time Activities	30,246	116,968	-	147,214
Community Environment	32,211	-	-	32,211
Transportation	470,625	12,593	-	483,218
General Government	279,119	-	-	279,119
Capital Outlay	135,043	-	662,009	797,052
Debt Service:				
Principal Retirement	121,494	16,500	-	137,994
Interest and Fiscal Charges	50,595	6,330	-	56,925
Total cash disbursements	<u>1,304,193</u>	<u>725,574</u>	<u>662,009</u>	<u>2,691,776</u>
Excess of receipts over (under) disbursement:	<u>294,773</u>	<u>232,359</u>	<u>(213,483)</u>	<u>313,649</u>
Other Financing Receipts (Disbursements):				
Loan Proceeds	-	-	502,347	502,347
Transfers In	1,192,660	143,246	51,496	1,387,402
Transfers Out	(1,267,744)	(68,162)	-	(1,335,906)
Total Other Financing Receipts (Disbursements)	<u>(75,084)</u>	<u>75,084</u>	<u>553,843</u>	<u>553,843</u>
Net change in fund cash balances	219,689	307,443	340,360	867,492
Fund cash balances, January 1, 2016	<u>1,450,206</u>	<u>1,534,332</u>	<u>87,101</u>	<u>3,071,639</u>
Fund cash balances:				
Restricted	109,063	1,841,775	427,461	2,378,299
Committed	100,000	-	-	100,000
Assigned	522,442	-	-	522,442
Unassigned (Deficit)	938,390	-	-	938,390
Fund cash balances, December 31, 2016	<u>\$ 1,669,895</u>	<u>\$ 1,841,775</u>	<u>\$ 427,461</u>	<u>\$ 3,939,131</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF ADA
HARDIN COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for Services	\$ 2,743,277	\$ -	\$ 2,743,277
Miscellaneous	40,211	2,032	42,243
Total operating cash receipts	<u>2,783,488</u>	<u>2,032</u>	<u>2,785,520</u>
Operating cash disbursements:			
Personal Services	416,814	-	416,814
Employee Fringe Benefits	121,638	-	121,638
Contractual Services	215,852	-	215,852
Supplies and Materials	692,786	-	692,786
Total operating cash disbursements	<u>1,447,090</u>	<u>-</u>	<u>1,447,090</u>
Operating income (loss)	<u>1,336,398</u>	<u>2,032</u>	<u>1,338,430</u>
Nonoperating cash receipts/(disbursements):			
Loan Proceeds	3,596,255	-	3,596,255
Intergovernmental	23,399	-	23,399
Capital Outlay	(3,771,117)	-	(3,771,117)
Principal	(607,135)	-	(607,135)
Interest	(121,259)	-	(121,259)
Total nonoperating cash receipts/(disbursements)	<u>(879,857)</u>	<u>-</u>	<u>(879,857)</u>
Income (Loss) before Transfers	456,541	2,032	458,573
Transfers In	689,530	-	689,530
Transfers Out	(741,026)	-	(741,026)
Net change in fund cash balances	405,045	2,032	407,077
Fund cash balances, January 1, 2016	<u>3,977,999</u>	<u>16,515</u>	<u>3,994,514</u>
Fund cash balances, December 31, 2016	<u>\$ 4,383,044</u>	<u>\$ 18,547</u>	<u>\$ 4,401,591</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Village of Ada, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Ada, Hardin County, Ohio (the “Village”) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village for four-year terms. The Mayor is elected to a four-year term, and votes only to break a tie. The Village provides general governmental services, water and sewer utilities, maintenance of Village roads and bridges, pool operations, and police services. The Village contracts with Ada-Liberty Township Fire Department for fire protection services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in two jointly governed organizations which are the Ada-Liberty Joint Ambulance District and Hardin County Regional Planning Commission, and one public entity risk pool which is the Public Entities Pool of Ohio. Note 6 and Note 11 to the financial statements provides additional information for these entities.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Safety Tax Levy Fund The safety tax levy fund accounts for and reports receipts from a safety tax levy restricted for police officers’ wages, benefits, uniforms, and equipment.

Village of Ada, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Capital Projects Fund The capital projects fund is used to account for intergovernmental receipts and debt issuances related to major capital improvements.

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village and the payment of any related debts.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village and the payment of any related debts.

Fiduciary Funds Fiduciary funds include private-purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village did not have private-purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for Fire damage bonds, unclaimed fund, and Safer program donations and expenditures.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

Village of Ada, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 approve estimated resources.

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. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2016 budgetary activity appears in Note 3.

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 invested in certificates of deposit, which were purchased through the CDARS program.

Capital Assets

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

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.

Fund Balance

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

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

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

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

Village of Ada, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,653,759	\$2,791,626	(\$862,133)
Special Revenue	1,200,388	1,101,179	(99,209)
Capital Projects	4,083,282	1,002,369	(3,080,913)
Enterprise	16,359,272	7,092,672	(9,266,600)
Total	\$25,296,701	\$11,987,846	(\$13,308,855)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,866,969	\$2,731,248	\$135,721
Special Revenue	1,411,510	1,172,973	238,537
Capital Projects	3,970,839	964,741	3,006,098
Enterprise	16,567,263	6,803,313	9,763,950
Total	\$24,816,581	\$11,672,275	\$13,144,306

Village of Ada, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – 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:

	<u>2016</u>
Demand deposits	<u>\$502,160</u>
Certificates of deposit	<u>7,838,562</u>
Total deposits and investments	<u><u>\$8,340,722</u></u>

Deposits

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

Investments

The Village invested in certificates of deposit, which were purchased through the CDARS program with Liberty National Bank.

Note 5 – Taxes

Property Taxes

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

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

Income Taxes

The Village levies a municipal income tax of 1.65 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Village of Ada, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Risk Management

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015 (the most recent information available):

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(\$12,363,257)</u>	<u>(\$12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$52,000.

Village of Ada, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

	2014	2015	2016
Contributions	\$80,649	\$81,480	\$92,068

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2016</i>	<i>10%</i>	<i>14%</i>

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP&F- full time police</i>	<i>2016</i>	<i>12.25%</i>	<i>19.5%</i>

Village of Ada, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Social Security

Elected Officials have the option to opt out of PERS in accordance with Ohio Revised Code 145.01 (B) or Ohio Administrative Code Section 145-1-26 and Ohio Revised Code Section 742.01, respectively are subject to Social Security Tax.

Two elected officials are participating in Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit post-employment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

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Village of Ada, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

<u>Description</u>	<u>Balance at</u> <u>12/31/2016</u>	<u>Interest</u> <u>Rate</u>
OPWC Loan CP16T (not finalized)	\$ 118,384	0.00%
OPWC Loan CT42Q	371,164	0.00%
OPWC Loan CT89M	68,633	0.00%
OWDA Loan #2656	34,471	2.20%
OWDA Loan #3334	511,670	2.20%
OWDA Loan #6826 (not finalized)	13,365,571	1.00%
Various Purpose Improvement and Refunding Bonds, Series 2013	<u>2,495,000</u>	1.15% - 4.375%
Total	<u>\$ 16,964,893</u>	

The Ohio Water Development Authority (OWDA) Loan #2656 loan relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency (EPA). The OWDA approved up to \$1,122,849.64 in a loan to the Village for this project. The Village will repay the loan in semiannual installments of \$34,850, including interest at a rate of 2.2%, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. This loan will be paid off in full on 7-1-2017 from the Sewer Debt Retirement Fund.

The OWDA Loan #3334 relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency (EPA). The OWDA approved up to \$1,749,951.83 in a loan to the Village for this project. The Village will repay the loan in semiannual installments of \$54,313.44, including interest at a rate of 2.2%, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. This loan will be paid off in full on 1-01-2022 from the Sewer Debt Retirement Fund.

The OWDA Loan #6826 relates to a sewer system reconstruction project that was mandated by the Ohio Environmental Protection Agency (EPA). The reconstruction consisted of a new influent pump station, a headworks building for screening and grit removal, a new activated sludge plant with an orbital aeration, settlement structures, generator, and a new lab building. The existing aeration tanks were converted to aerobic digesters and an additional chlorine contact tank. An existing lab and pump building were demolished. The OWDA approved up to \$15,119,197.70 in loans to the Village for the project. The Village will repay the loans in semiannual installment of \$417,978.06, including interest at a rate of 1%, over 20 years. The scheduled payment amount above assumes that \$15,119,197.70 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. This loan will be paid off in full on 7-1-2036 from the Sewer Debt Retirement Fund. No amortization schedule is available until the project is finalized in 2017.

Village of Ada, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

The Ohio Public Works Commission (OPWC) Loan CT89M relates to the East Lincoln Street Project. The OPWC approved up to \$632,550 but the Village only borrowed \$85,791.18 in a loan for this project. The Village will repay the loan in semiannual installments of \$1,715.82, including interest at a rate of 0% over 25 years. Storm Sewer receipts collateralize the loan. This loan will be paid off in full on 1-1-2037 from the Storm Sewer Fund.

The OPWC Loan CT42Q relates to the East Lima Avenue Project. The OPWC approved up to \$383,962.55 in a loan to the Village for this project. The Village will repay the loan in semiannual installments of \$6,399.38, including interest at a rate of 0% over 30 years. Storm Sewer receipts collateralize the loan. This loan will be paid off in full on 1-1-2046 from the Storm Sewer Fund.

The OPWC Loan CP16T relates to the North Simon Storm Sewer project. The OPWC approved up to \$146,000 in a loan for this project. The Village will repay the loan in semiannual installments of \$4,866.67, including interest at a rate of 0% over 30 years. Storm Sewer receipts collateralize the loan. This loan will be paid off in 2046 from the Storm Sewer Fund. No amortization schedule is available until the project is finalized in 2017.

The Various Purpose Improvement and Refunding Bonds, Series 2013 was issued to refinance the Buckeye Streetscape, a partial amount of the Main Street Streetscape, and the Concrete Streets Streetscape projects. The Huntington National Bank approved up to \$2,890,000 in various purpose bonds to the Village for these projects. The Village will repay the bonds in semiannual installments of varying amounts, including interest at a rate of varying from 1.15% to 4.375% over 30 years. Income Tax receipts collateralize the loan. This loan will be paid off in full on 12-1-2033 from the General Fund, Street Fund, Street Construction, Maintenance, and Repair Fund, Water Fund, and Storm Sewer Fund.

Amortization

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

Year Ending December 31,	OPWC Loan CT42Q	OPWC Loan CT89M	OWDA Loan 2656	OWDA Loan 3334	Improvement & Refunding Bonds Series 2013
2017	\$ 12,799	\$ 3,432	\$ 34,850	\$ 108,627	\$ 235,584
2018	12,799	3,432	-	108,627	232,794
2019	12,799	3,432	-	108,627	235,004
2020	12,799	3,432	-	108,627	231,324
2021	12,799	3,432	-	108,627	237,644
2022-2026	63,994	17,158	-	-	1,059,444
2027-2031	63,994	17,158	-	-	823,494
2032-2036	63,994	17,157	-	-	218,563
2037-2041	63,994	-	-	-	-
2042-2045	51,193	-	-	-	-
Total	<u>\$ 371,164</u>	<u>\$ 68,633</u>	<u>\$ 34,850</u>	<u>\$ 543,135</u>	<u>\$ 3,273,851</u>

Village of Ada, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Leases

The Village leases vehicles and other equipment under noncancelable leases. The Village disbursed \$50,885 (\$47,397 in principal) to pay lease costs for the year ended December 31, 2016. Future lease payments, including interest, are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$41,943
2018	15,351
<u>2019</u>	<u>6,625</u>
Total	\$67,631

Note 10 – Contingent Liabilities

The Village is not a defendant in any lawsuits at this time.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. 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.

Note 11 – Jointly Governed Organizations

Ada Liberty Joint Ambulance District

The Board of Trustees consists of one member appointed by each subdivision plus one member appointed by the other two members. Those subdivisions are the Village of Ada and Liberty Township. The District provides emergency medical service with the District and by contract to areas outside the District. Financial information can be obtained from Nancy Bucher, Fiscal Officer, 530 North Gilbert Street Ada, Ohio 45810.

Hardin County Regional Planning Commission

The Hardin County Regional Planning Commission (the Commission) is a jointly-governed organization between the County, the Municipalities, and the Townships with the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office. The Village is represented by one member.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

Village of Ada, Ohio
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 12 – Related Party Transactions

Cathy Cole, a Village Council member, is owner of Cole Motor Sales in Ada, Ohio from which the Village acquired a vehicle and received vehicle maintenance during the year. The Village paid \$29,330 for this acquisition and \$6,916 for services. Jeff Oestreich, a Village Council member, is an employee for WCOIL for which the Village receives internet and email services throughout the year. The Village paid \$1,044 for this service.

Note 13 – Subsequent Events

The Village will be renovating the Pool next year estimated cost around \$1,500,000. The Village plans to use Pool Reserve funds to pay half of the project costs and the rest with a loan from Liberty National Bank. The Village has several street projects that are in the middle of getting grants and loans to help fund them. They are Willeke Phase 1 estimated cost of \$920,000, Willeke Phase 2 estimated cost of \$1,225,000, ONU South Side Storm Sewer estimated cost of \$1,000,000, Johnson-Simon Storm Sewer estimated cost of \$500,000, and Grandview-Hays Storm Sewer estimated cost of \$990,000. The Municipal Building Improvement project is in the middle of collecting an estimated cost for the project.

The Village issued OPWC Loan CP365 for water tower improvements. A drawdown of \$195,300 occurred on February 14, 2017.

An additional \$450,895 has been drawn down for OWDA Loan #6826 as of April 6, 2017.



Julian & Grube, Inc.
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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Village of Ada
Hardin County
115 W. Buckeye Street
Ada, Ohio 45810

To the Members of Council and Mayor:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Ada, Hardin County, Ohio, as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated April 6, 2017, wherein we noted the Village of Ada followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village of Ada's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village of Ada's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village of Ada's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Members of Council and Mayor
Village of Ada

Compliance and Other Matters

As part of reasonably assuring whether the Village of Ada'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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village of Ada's Response to Finding

The Village of Ada's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Village of Ada's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village of Ada's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village of Ada's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
April 6, 2017

**VILLAGE OF ADA
HARDIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2016-001

Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions.

Numerous adjustments were made to the financial statements for the year ended December 31, 2016 to properly state financial statement amounts. In addition, numerous material adjustments were made to the Village's notes to the financial statements.

The audited financial statements and Village records have been adjusted for the misstatements identified during the audit.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Village consult with their auditors, the Village Handbook, the Auditor of State and/or Ohio Municipal League to help ensure accurate financial reporting.

Client Response: The Fiscal Officer will work to provide a sound fiscal environment for the Village and has implemented additional policies and procedures to help with financial statement presentation.

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Dave Yost • Auditor of State

VILLAGE OF ADA

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 20, 2017