
ALGER & ASSOCIATES, Inc.



PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES

VILLAGE OF ADENA

JEFFERSON COUNTY, OHIO

A&A
REGULAR AUDIT

For the Years Ended

December 31, 2016 and 2015

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Dave Yost • Auditor of State

Village Council
Village of Adena
143 West Main
Adena, Ohio 43901

We have reviewed the *Independent Auditor's Report* of the Village of Adena, Jefferson County, prepared by Alger & Associates, Inc., for the audit period January 1, 2015 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 Adena is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

November 30, 2017

Village of Adena
Jefferson County

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Village of Adena
Jefferson County
143 West Main
Adena, OH 43901

To the Village Council:

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 Village of Adena, Jefferson County, (the Village) as of and for the years ended December 31, 2016 and 2015.

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'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'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 opinions.

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

As described in Note 2 of the financial statements, the Village 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 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 as of December 31, 2016 and 2015, or changes in financial position thereof for the years 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 Village of Adena, Stark County as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years 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.

Emphasis of Matter

As described in Note 11 to the 2016 financial statements, the Village has been suffering declining enterprise fund balances due to disbursements exceeding receipts, which raises substantial doubt about the Village's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 11. They do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2017, 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. 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's internal control over financial reporting and compliance.

Alger and Associates Inc
Digitally signed by Alger and Associates Inc
DN: cn=Alger and Associates Inc, o, ou, email=ksalger46@att.net, c=US
Date: 2017.10.05 11:04:52 -04'00'

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio
August 28, 2017

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Village of Adena Ohio
Jefferson County

**Combined Statement of Receipts, Disbursements and Changes in Fund
Balances - (Cash Basis) All Governmental Fund Types
For the Year Ended December 31, 2016**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$31,943	\$71,644	\$103,587
Intergovernmental	34,842	56,676	91,518
Fines, Licenses and Permits	139	0	139
Miscellaneous	21,507	8,325	29,832
<i>Total Cash Receipts</i>	<u>88,431</u>	<u>136,645</u>	<u>225,076</u>
Cash Disbursements			
Current:			
Security of Persons and Property	14,804	56,536	71,340
Public Health Services	39	0	39
Leisure Time Activities	0	13,557	13,557
Basic Utility Services	0	8,325	8,325
Transportation	0	57,525	57,525
General Government	50,169	0	50,169
<i>Total Cash Disbursements</i>	<u>65,012</u>	<u>135,943</u>	<u>200,955</u>
<i>Net Change in Fund Cash Balances</i>	23,419	702	24,121
<i>Fund Cash Balances , January 1</i>	<u>(18,877)</u>	<u>101,785</u>	<u>82,908</u>
Fund Cash Balances , December 31			
Restricted	0	104,285	104,285
Unassigned (Deficit)	4,542	(1,798)	2,744
<i>Fund Cash Balances , December 31</i>	<u><u>\$4,542</u></u>	<u><u>\$102,487</u></u>	<u><u>\$107,029</u></u>

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

**Village of Adena Ohio
Jefferson County**

**Combined Statement of Receipts, Disbursements and Changes in
Fund Balance (Cash Basis) - Proprietary Fund Type
For the Year Ended December 31, 2016**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$367,736
Miscellaneous	2,130
	369,866
<i>Total Operating Cash Receipts</i>	<i>369,866</i>
Operating Cash Disbursements	
Personal Services	46,327
Contractual Services	346,799
Supplies and Materials	78,021
Other	200
	471,347
<i>Total Operating Cash Disbursements</i>	<i>471,347</i>
<i>Operating Income (Loss)</i>	<i>(101,481)</i>
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	149,011
Miscellaneous Receipt	8,325
Principal Retirement	(89,373)
Interest and Other Fiscal Charges	(26,573)
	41,390
<i>Total Non-Operating Cash Receipts</i>	<i>41,390</i>
<i>Income (Loss) before Transfers</i>	<i>(60,091)</i>
Transfers In	86,504
Transfers Out	(86,504)
	(60,091)
<i>Net Change in Fund Cash Balances</i>	<i>(60,091)</i>
<i>Fund Cash Balances, January 1</i>	<i>(34,688)</i>
<i>Fund Cash Balances, December 31</i>	<i>(\$94,779)</i>

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

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

Note 1 - Reporting Entity

The Village of Adena (the Village), Jefferson County, 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. The Village provides general government services, street maintenance and repair, water and sewer utilities, park operations, and police services. The Village contracts with the Adena Volunteer Fire department to receive fire protection and emergency medical services.

Public Entity Risk Pools

The Village participates in the Ohio Municipal Joint Self-Insurance Pool a public entity risk pool. Notes 7 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:

New Street Improvement Fund The street improvement fund accounts for and reports levied tax monies restricted for construction, maintenance, and repair of streets within the Village.

Emergency Medical Services Levy Fund The emergency medical services fund accounts for and reports levied tax monies restricted for emergency medical services contract by the Village.

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

Note 2 - Summary of Significant Accounting Policies *(continued)*

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.

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

Sewer Project Fund The sewer project fund accounts for loan proceeds from the Ohio Water Development Authority and grants from Ohio Public Works Commission and Community Development Block Grant restricted to the finance a sewer facility improvement.

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 Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

The Ohio Revised Code requires that each fund 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. Appropriations lapse at year end.

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

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.

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

Note 2 - Summary of Significant Accounting Policies *(continued)*

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.

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.

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.

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.

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

Note 3 - Compliance

Contrary to ORC 5705.10 (H), the Village had negative cash fund balances in the following funds at December 31, 2016:

Special Revenue Fund		
Park Levy Fund		\$ 1,798
Enterprise Fund		
Sewer Operating Fund		\$78,679
Water Operating Fund		\$24,673

Contrary to ORC 5705.36, the Village, did not, on or about the first day of each year (2016) certify to the County Auditor the total amount from all sources available for expenditure from each fund along with any unencumbered balance that existed at the end of the preceding year. Therefore, for all funds the appropriations was in excess of available resources.

Contrary to ORC 5705.38 (A), the Village, did not pass permanent appropriations for 2016.

Contrary to ORC 5705.41(B), all expenditures exceed appropriation authority due to not passing the 2016 permanent appropriations.

Contrary to ORC 5705.41(D), the Village, had purchases made prior to commitments of funds.

Note 4 - 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	\$0	\$88,431	\$88,431
Special Revenue	0	136,645	136,645
Enterprise	0	613,706	613,706
Total	\$0	\$838,782	\$838,782

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$65,012	(\$65,012)
Special Revenue	0	135,943	(135,943)
Enterprise	0	673,797	(673,797)
Total	\$0	\$874,752	(\$874,752)

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

Note 5 – 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:

	2016
Demand deposits	<u>\$12,250</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Note 6 – 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.

Note 7 – Risk Pool Management

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

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2016, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

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

Note 7 – Risk Pool Management

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

The Pool’s financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2016.

Assets	\$1,272,799
Liabilities	<u>(821,016)</u>
Accumulated Surplus	\$ <u>451,783</u>

Note 8 – Interfund Activity

The Village made the following transfers during 2016:

	Transfer-In	Transfer-Out
Water Operating Fund		\$45,027
OWDA Loan Fund	\$45,027	
Sewer Operating Fund		\$41,477
Sewer Project Fund	\$20,738	
OWDA Loan Fund	\$20,739	

The Water & Sewer Operating Fund transfers were to other enterprise funds to cover debt obligations.

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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.

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

Note 9 - Defined Benefit Pension Plans *(continued)*

Social Security

A few Village’s employees contributed to 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 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #3755	\$267,464	2.00%
Ohio Water Development Authority Loan #6442	\$843,837	1.50%
Wesbanco Note	\$25,494	5.04%
People Note	\$61,441	5.75%
Total	\$1,198,236	

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

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

The Wesbanco promissory note was issued as a general purpose business note. The Village’s taxing authority collateralized the note.

The People National Bank promissory note was issued as a general purpose business note. The Village’s taxing authority collateralized the note.

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

Note 10 – Debt *(continued)*

Amortization

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

Year ending December 31:	OWDA Loan #3755	Wesbanco Bank	People Bank
2017	\$41,137	\$16,495	\$16,329
2018	41,137	14,090	16,329
2019	41,137	0	16,329
2020	41,137	0	16,329
2021	41,137	0	4,082
2022-2023	81,971	0	0
Total	<u>\$287,656</u>	<u>\$30,585</u>	<u>\$69,399</u>

Note 11: Going Concern

As of December 31, 2016, the Village had negative fund balances in the Enterprise Fund of (\$94,779), consisting of Water Operating of (\$24,673) and Sewer Operating of (\$78,679). The remaining Enterprise Funds balances consisted of Utility Deposits \$4,694 and Sewer Project \$3,879.

These conditions raise substantial doubt about the Village’s ability to continue as a going concern. Management has signed an oil and gas lease that will eliminate all deficit balances and allow the Village to make the outstanding 2017 OWDA loan payments. Management has also increased water and sewer rates, re-negotiated their contract for water purchases, and will re-assess rates prior to the end of 2017.

Note 12 – Subsequent Events

The Village’s residents passed an additional 3.0-mill police levy on November 8, 2016. The Village will begin receiving property taxes from the levy in 2017.

Village of Adena Ohio
Jefferson County

**Combined Statement of Receipts, Disbursements and Changes in Fund
Balances - (Cash Basis) All Governmental Fund Types
For the Year Ended December 31, 2015**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$29,977	\$71,991	\$101,968
Intergovernmental	36,458	54,895	91,353
Fines, Licenses and Permits	560	0	560
Miscellaneous	16,362	1,037	17,399
<i>Total Cash Receipts</i>	<u>83,357</u>	<u>127,923</u>	<u>211,280</u>
Cash Disbursements			
Current:			
Security of Persons and Property	13,428	64,784	78,212
Public Health Services	585	0	585
Leisure Time Activities	0	14,213	14,213
Transportation	0	46,967	46,967
General Government	88,625	0	88,625
<i>Total Cash Disbursements</i>	<u>102,638</u>	<u>125,964</u>	<u>228,602</u>
<i>Net Change in Fund Cash Balances</i>	(19,281)	1,959	(17,322)
<i>Fund Cash Balances , January 1</i>	<u>404</u>	<u>99,826</u>	<u>100,230</u>
Fund Cash Balances , December 31			
Restricted	0	101,785	101,785
Unassigned (Deficit)	(18,877)	0	(18,877)
<i>Fund Cash Balances , December 31</i>	<u>(\$18,877)</u>	<u>\$101,785</u>	<u>\$82,908</u>

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

**Village of Adena Ohio
Jefferson County**

**Combined Statement of Receipts, Disbursements and Changes in
Fund Balance (Cash Basis) - Proprietary Fund Type
For the Year Ended December 31, 2015**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$323,014
Miscellaneous	4,658
	327,672
<i>Total Operating Cash Receipts</i>	<i>327,672</i>
Operating Cash Disbursements	
Personal Services	51,393
Contractual Services	152,892
Supplies and Materials	52,942
	257,227
<i>Total Operating Cash Disbursements</i>	<i>257,227</i>
<i>Operating Income (Loss)</i>	<i>70,445</i>
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	333,679
Capital Outlay	(333,679)
Principal Retirement	(92,291)
Interest and Other Fiscal Charges	(25,754)
Other Financing Uses	(4,041)
	(122,086)
<i>Total Non-Operating Cash Disbursements</i>	<i>(122,086)</i>
<i>Income (Loss) before Transfers</i>	<i>(51,641)</i>
Transfers In	100,863
Transfers Out	(100,863)
	(51,641)
<i>Net Change in Fund Cash Balances</i>	<i>(51,641)</i>
<i>Fund Cash Balances, January 1</i>	<i>16,953</i>
<i>Fund Cash Balances, December 31</i>	<i>(\$34,688)</i>

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

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

The Village of Adena (the Village), Jefferson County, 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. The Village provides general government services, street maintenance and repair, water and sewer utilities, park operations, and police services. The Village contracts with the Adena Volunteer Fire department to receive fire protection and emergency medical services.

Public Entity Risk Pools

The Village participates in the Ohio Municipal Joint Self-Insurance Pool a public entity risk pool. Notes 7 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:

New Street Improvement Fund The street improvement fund accounts for and reports levied tax monies restricted for construction, maintenance, and repair of streets within the Village.

Emergency Medical Services Levy Fund The emergency medical services fund accounts for and reports levied tax monies restricted for emergency medical services contract by the Village.

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies *(continued)*

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.

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

Sewer Project Fund The sewer project fund accounts for loan proceeds from the Ohio Water Development Authority and grants from Ohio Public Works Commission and Community Development Block Grant restricted to the finance a sewer facility improvement.

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 Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

The Ohio Revised Code requires that each fund 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. Appropriations lapse at year end.

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

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.

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies *(continued)*

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.

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.

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.

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.

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 3 - Compliance

Contrary to ORC 5705.10 (H), the Village had a negative cash fund balances in the Sewer Operating Fund at December 31, 2015 of \$50,204.

Contrary to ORC 5705.38 (A), the Village did not pass permanent appropriations for 2015.

Contrary to ORC 5705.41(B), all expenditures exceed appropriation authority due to not passing the 2015 permanent appropriations.

Contrary to ORC 5705.41(D), the Village, had purchases made prior to commitments of funds.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$252,000	\$83,357	(\$168,643)
Special Revenue	103,554	127,923	24,369
Debt Service	100,830	0	(100,830)
Capital Projects	800,000	0	(800,000)
Enterprise	329,500	762,214	432,714
Total	\$1,585,884	\$973,494	(\$612,390)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$102,638	(\$102,638)
Special Revenue	0	125,964	(125,964)
Enterprise	0	813,855	(813,855)
Total	\$0	\$1,042,457	(\$1,042,457)

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 5 – 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>2015</u>
Demand deposits	\$38,220
Certificates of deposit	10,000
Total deposits	<u>\$48,220</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Note 6 – 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.

Note 7 – Risk Pool Management

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

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

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2015, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 7 – Risk Pool Management

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

The Pool’s financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at March 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Assets	\$ 1,339,719	\$ 1,030,198
Liabilities	<u>(1,051,927)</u>	<u>(882,203)</u>
Accumulated Surplus	\$ <u>287,792</u>	\$ <u>147,995</u>

Note 8 – Interfund Activity

The Village made the following transfers during 2015:

	Transfer-In	Transfer-Out
Water Operating Fund		\$59,386
OWDA Loan	\$ 7,749	
Water Bond	\$10,500	
Waterline Loan	\$41,137	
Sewer Operating Fund		\$41,477
Sewer Project Fund	\$41,477	

The Water & Sewer Operating Fund transfers were to other enterprise funds to cover debt obligations.

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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, 2015.

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 9 - Defined Benefit Pension Plans *(continued)*

Social Security

A few Village’s employees contributed to 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, 2015.

Note 10 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #1433	\$3,635	7.96%
Ohio Water Development Authority Loan #3755	\$302,722	2.00%
Ohio Water Development Authority Loan #6442	\$792,616	1.50%
Wesbanco Note	\$39,625	5.04%
Total	\$1,138,598	

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

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

The Wesbanco promissory note was issued as a general purpose business note. The Village’s taxing authority collateralized the note.

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 10 – Debt *(continued)*

Amortization

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

Year ending December 31:	OWDA Loan #1443	OWDA Loan #3755	Wesbanco Bank
2016	\$3,891	\$41,437	\$17,171
2017		41,137	16,495
2018		41,137	14,090
2019		41,137	
2020		41,136	
2021-2023		123,408	
Total	<u>\$3,891</u>	<u>\$329,392</u>	<u>\$47,756</u>

Note 11 – Subsequent Events

On November 3, 2015, the Village’s residents passed a 6.0-mill renewal levy for current expenses for the General Fund and a 2.0-mill Park levy for maintaining and improving the parks. The Village will begin receiving property taxes from the levies in 2016.



ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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

Village of Adena
Jefferson County
143 West Main
Adena, OH 43901

To the Village Council:

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 Village of Adena, Jefferson County, (the Village) as of and for the years ended December 31, 2016 and December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated August 28, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We noted, as described in Note 11, the accompanying 2016 financial statements have been prepared assuming that the Village will continue as a going concern.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village'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'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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-007 as material weaknesses.

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, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 through 2016-004.

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's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alger and
Associates
Inc

Digitally signed by Alger and Associates Inc
DN: cn=Alger and Associates Inc, o=Alger and Associates Inc, email=ksalger4@att.net, c=US
Date: 2017.10.05 11:05:21 -0400

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio
August 28, 2017

*Village of Adena, Ohio
Jefferson County*

*Schedule of Findings
December 31, 2016 and 2015*

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

FINDING NUMBER 2016-001

Non Compliance/Material Weakness

Deficit Fund Balances

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

As of December 31, 2015, the Sewer Operating Fund had deficit cash balances of \$50,204. As of December 31, 2016, the Park Levy, the Sewer Operating and Water Operating funds had deficit cash balances of \$1,798, \$78,679 and \$24,673, respectively.

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

FINDING NUMBER 2016-002

Non Compliance/Material Weakness

Annual Appropriation Measure

Ohio Rev. Code §5705.38 (A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Documentation could not be provided to reflect Council approved the annual appropriation measure by April 1 for 2015 nor April 1, 2016 and filed with the County Auditor.

Ohio Rev. Code § 5705.41 (B) prohibits a subdivision or taxing unit from making any expenditures of money unless it has been appropriated.

Due to Village Council not passing an appropriation measure as indicated above nor properly filing with the budget commission, expenditures in all funds exceeded appropriations.

We recommend the Council and the Fiscal Officer not make any expenditures until appropriations are adopted. Once appropriations are adopted, Council and the Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

Village of Adena, Ohio
Jefferson County

Schedule of Findings
December 31, 2016 and 2015

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

FINDING NUMBER 2016-003

Non Compliance/Material Weakness

All Sources Available for Expenditures Certificate

Ohio Revised Code 5705.36 states on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any encumbered balances existing at the end of the preceding year.

Except, a taxing authority shall exclude the following from unencumbered fund balances:

- Budget stabilization reserves (ORC 5705.13, 5705.29(G))
- Nonexpendable trust principal balances and any additions to principal not from the fund's reinvested earnings (ORC 5705.131)

The Fiscal Officer did not file the certificate with the County Auditor for 2016.

We recommend the Fiscal Officer of the Village file the required information with the County Auditor at the beginning of each fiscal year.

FINDING NUMBER 2016-004

Non Compliance/Material Weakness

Expenditure Certification

Ohio Rev. Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

Village of Adena, Ohio
Jefferson County

Schedule of Findings
December 31, 2016 and 2015

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

FINDING NUMBER 2016-004 *(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.

We noted that 100% of expenditures tested in 2015 and 2016 were not properly certified.

The Village should certify the availability of funds for expenditure and also implement the use of Then and Now Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

Village of Adena, Ohio
Jefferson County

Schedule of Findings
December 31, 2016 and 2015

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-005

Material Weakness

Fund Balance Classifications

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

The following Ending Equity fund balances were reclassified from Unassigned to Restricted for 2015 & 2016:

Fund	Type	2015 Amount	2016 Amount
Street Maintenance and Repair	Fund Balance Equity	\$4,565	\$5,250
Community Development Block Grant	Fund Balance Equity	\$52	\$52
Permanent Motor Vehicle License	Fund Balance Equity	\$11,276	\$11,719
Park Levy	Fund Balance Equity	\$1,523	\$(1,798)
New Street	Fund Balance Equity	\$55,153	\$56,449
Emergency Medical Service	Fund Balance Equity	\$19,149	\$19,995
Fire Levy	Fund Balance Equity	\$8,171	\$8,527
Police Levy	Fund Balance Equity	\$1,896	\$2,293

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

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

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

*Village of Adena, Ohio
Jefferson County*

*Schedule of Findings
December 31, 2016 and 2015*

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

FINDING NUMBER 2016-006

Material Weakness

Posting of Receipts, Expenditures, and On Behalf Payments

Sound accounting practices require the Village to maintain an accounting system that enables them to identify, assemble, analyze, classify, record and report all transactions. The Village Fiscal Officer did not correctly post all receipts and disbursements in 2015 and 2016. This was attributed to the Fiscal Officer not abiding by the adopted chart of accounts

The corrected amounts are reflected in the accompanying financial statements.

Fund	Account	Amount	Description
<i>Adjustments: 2015</i>			
Sewer Project	Debt Proceeds	(\$285,792)	Record 2014 activity into 2015
Sewer Project	Capital Outlay Expenditures	(\$285,792)	Record 2014 activity into 2015
<i>Reclassifications: 2015:</i>			
General	Intergovernmental Revenue	\$5,654	Recorded in error as Transfer-In Revenue
Permissive Motor Vehicle License Tax	Intergovernmental Revenue	\$7,496	Recorded in error as Fines, Licenses and Permits
Ohio Water Development Authority	Interest and Fiscal Charges Expenditures	\$744	Recorded in error as Principal Retirement Expenditures.
Water Operating	Interest and Fiscal Charges Expenditures	\$3,050	Recorded in error as Principal Retirement Expenditures
Sewer Operating	Close of a Certificate of Deposit (no account effected)	\$10,000	Recorded in error as Charges for Services Revenue
Sewer Project	Interest and Fiscal Charges Expenditures	\$14,886	Recorded in error as Principal Retirement Expenditures
Sewer Project	Interest and Fiscal Charges Expenditures	\$6,574	Recorded in error as Principal Retirement Expenditures

*Village of Adena, Ohio
Jefferson County*

*Schedule of Findings
December 31, 2016 and 2015*

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

FINDING NUMBER 2016-006 *(continued)*

Material Weakness/ Posting of Receipts, Expenditures, and On Behalf Payments

Fund	Account	Amount	Description
<i>Reclassifications: 2016</i>			
Permissive Motor Vehicle License Tax	Intergovernmental Revenue	\$6,772	Recorded in error as Fines, Licenses and Permits
Water Operating	Recorded as Principal Retirement Expenditures	\$14,131	Recorded in error as Other Expenditures
Water Operating	Interest and Fiscal Charges Expenditures	\$3,064	Recorded in error as Other Expenditures
Water Operating	Other Debt Proceeds	\$70,799	Recorded in error as Charges for Services Revenue
Sewer Operating	Interest and Fiscal Charges Expenditures	\$2,888	Recorded in error as Principal Retirement Expenditures
Sewer Project	Close of a Certificate of Deposit (no account effected)	\$10,000	Recorded in error as Charges for Services Revenue
Sewer Project	Not a revenue	\$20,000	Close of CD's recorded as Sale of Bond

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

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

Village of Adena, Ohio
Jefferson County

Schedule of Findings
December 31, 2016 and 2015

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

FINDING NUMBER 2016-007

Material Weakness

Preparation of Financial Statements

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

The Village incorrectly classified Enterprise Debt Funds as Debt Service Funds. These funds included: Sewer Project, Water Reserve, Ohio Water Development Authority Loan, Water Bond, and Waterline Loan. These funds were reclassified as Enterprise Fund Type for 2015 and 2016.

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

The Village should properly classify Debt Service Fund as an Enterprise Debt Fund. This would ensure that all receipts and expenditures are properly classified.

Client Response: We did not receive a response from Officials to this findings reported above.

**VILLAGE OF ADENA
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	GASB 54 not applied to fund balances	No	Reissued as Finding Number 2016-005
2014-002	Ohio Rev. Code § 5705.10(I) Deficit Balances	No	Reissued as Finding Number 2016-001
2014-003	Ohio Rev. Code § 145.03 – employees not paying into PERS	Yes	Employees pay into Social Security
2014-004	Ohio Rev. Code § 5705.41(B) Expenditures Exceeded Appropriations	No	Reissued as Finding Number 2016-002
2014-005	Ohio Rev. Code § 5705.36(A)(4) Appropriations Exceeded Actual Resources	NA	Permanent Appropriations not filed
2014-006	Ohio Rev. Code § 5705.14, § 5705.15, § 5705.16, Transfers and advances clearly labeled in a formal resolution	Yes	Finding No Longer Valid
2014-007	Material Weakness: Posting of Receipts and Expenditures	No	Reissued as Finding Number 2016-006
2014-008	Material Weakness: Disbursing Levy Funds	Yes	Finding No Longer Valid;
2014-009	Material Weakness: Preparation of Financial Statements	No	Partially: Reissued as Finding Number 2016-007



Dave Yost • Auditor of State

VILLAGE OF ADENA

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 14, 2017