



Dave Yost • Auditor of State



VILLAGE OF ADA  
HARDIN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Ada  
Hardin County  
115 W. Buckeye Avenue  
P.O. Box 292  
Ada, Ohio 45810

To the Members of Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ada, Hardin County, Ohio (the Village), as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ada, Hardin County, Ohio, as of December 31, 2011, and the respective changes in cash financial position, thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 16, during 2011 the Village of Ada adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Village's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

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

**Dave Yost**  
Auditor of State

December 18, 2012

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

This discussion and analysis of the Village of Ada financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2011, within the limitations of the cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights are as follows:

- In total, net assets increased \$434,783 or up 16 percent. This increase was primary the result of the increase in net assets for each of the business type activity funds. Governmental activities had an overall decrease in net assets. The governmental fund most affected by the decrease in net assets was the Street Maintenance and Repair Fund, which decreased its carryover balance by \$100,789 as a result of increased spending on transportation costs.
- The Village's governmental receipts are primarily property and income taxes and grants. These receipts represent 84 percent of the total governmental activities cash received during the year. Income tax receipts for 2011 were up 14.2 percent.
- The water operation, one of the Village's business-type activities, increased its carryover by 67 percent for the year. Receipts exceeded expenditures by \$205,481. This was a result from increasing the water rates during the year.
- The sewer operation, one of the Village's business-type activities, increased its carryover by 45 percent for the year. Receipts exceeded expenditures by \$143,249. This was a result from increasing the sewer rates during the year.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting. The statement of net assets and the statement of activities provide information about the cash activities of the whole Village.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns. The notes to the financial statements are an integral part of the Village-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Government into two types of activities:

**Governmental activities** - Most of the Government's basic services are reported here, including police, streets and pool. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Business-type activity** - The Government has four business-type activities, the provision of water, sewer, storm-sewer, and refuse. Business-type activities are financed by a fee charged to the customers receiving the service.

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

**Reporting the Government's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

**Governmental Funds** - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Street Maintenance & Repair Fund, Permissive Motor Vehicle Tax Fund, the Swimming Pool Reserves Fund, and the Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**Proprietary Funds** – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village's major enterprise funds are the Water Fund, Water Reserve Fund, Sewer Fund, and Sewer Debt Retirement Fund. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village does not have any internal service funds.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2010 and 2011 on a cash basis:

**(Table 1)  
Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Assets:</b>						
Cash and Cash Equivalents	\$1,383,559	\$1,395,899	\$1,840,783	\$1,393,660	\$3,224,342	\$2,789,559
Total Assets	1,383,559	1,395,899	1,840,783	1,393,660	3,224,342	2,789,559
<b>Net Assets:</b>						
<b>Restricted for:</b>						
Debt Service			247,723	224,170	247,723	224,170
Capital Projects	109,392	138,686			109,392	138,686
Other Purposes	1,116,627	1,107,077	1,593,060	1,169,490	2,709,687	2,276,567
Unrestricted	157,540	150,136			157,540	150,136
Total Net Assets	<u>\$1,383,559</u>	<u>\$1,395,899</u>	<u>\$1,840,783</u>	<u>\$1,393,660</u>	<u>\$3,224,342</u>	<u>\$2,789,559</u>

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

As mentioned previously, net assets increased \$434,783 or 16 percent during 2011. The primary reason contributing to the increase in cash balances was:

- Water and Sewer rates were increased during the year resulting in business type activity net assets increasing \$447,123 or 32 percent.

Table 2 reflects the changes in net assets in 2011 and 2010.

**(Table 2)  
Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Receipts:</b>						
<b>Program Receipts:</b>						
Charges for Services and Sales	\$ 226,052	\$ 198,078	\$2,035,080	\$1,946,831	\$2,261,132	\$2,144,909
Operating Grants and Contributions	131,475	133,985			131,475	133,985
Capital Grants and Contributions	538,328	1,520,636			538,328	1,520,636
<b>Total Program Receipts</b>	<b>895,855</b>	<b>1,852,699</b>	<b>2,035,080</b>	<b>1,946,831</b>	<b>2,930,935</b>	<b>3,799,530</b>
<b>General Receipts:</b>						
Property and Other Local Taxes	1,217,520	1,072,154			1,217,522	1,072,154
Grants and Entitlements Not Restricted to Specific Programs	119,206	118,989			119,205	118,989
Note and Loan Proceeds	85,791	900,000	44,468		130,259	900,000
Interest	17,196	23,982			17,196	23,982
Miscellaneous	46,186	46,660	39,159	43,917	85,344	90,577
<b>Total General Receipts</b>	<b>1,485,899</b>	<b>2,161,785</b>	<b>83,627</b>	<b>43,917</b>	<b>1,569,526</b>	<b>2,205,702</b>
<b>Total Receipts</b>	<b>2,381,754</b>	<b>4,014,484</b>	<b>2,118,707</b>	<b>1,990,748</b>	<b>4,500,461</b>	<b>6,005,232</b>
<b>Disbursements:</b>						
General Government	285,949	245,526			285,949	245,526
Security of Persons and Property	676,036	709,745			676,036	709,745
Public Health Services	22,652	22,088			22,652	22,088
Leisure Time Activities	104,278	107,616			104,278	107,616
Community Environment	10,526	10,525			10,526	10,525
Basic Utilities			1,129,833	1,292,482	1,129,833	1,292,482
Transportation	489,326	478,207			489,326	478,207
Capital Outlay	651,946	1,583,384	79,988	35,293	731,934	1,618,677
Principal Retirement	79,068	956,677	399,590	353,392	478,658	1,310,069
Interest and Fiscal Charges	74,313	45,714	62,173	78,075	136,486	123,789
Other						
<b>Total Disbursements</b>	<b>2,394,094</b>	<b>4,159,482</b>	<b>1,671,584</b>	<b>1,759,242</b>	<b>4,065,678</b>	<b>5,918,724</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(12,340)</b>	<b>(144,998)</b>	<b>447,123</b>	<b>231,506</b>	<b>434,783</b>	<b>86,508</b>
<b>Net Assets, January 1</b>	<b>1,395,899</b>	<b>1,540,897</b>	<b>1,393,660</b>	<b>1,162,154</b>	<b>2,789,559</b>	<b>2,703,051</b>
<b>Net Assets, December 31</b>	<b>\$1,383,559</b>	<b>\$1,395,899</b>	<b>\$1,840,783</b>	<b>\$1,393,660</b>	<b>\$3,224,342</b>	<b>\$2,789,559</b>

Program receipts represent 65 percent of total receipts and are primarily comprised of utility charges for services, restricted grants, intergovernmental receipts such as motor vehicle license and gas tax money, and building permits and inspection fees.

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

General receipts represent 62 percent of the Village's total Governmental receipts, and of this amount, 82 percent are local taxes.

Disbursements for General Government represent the overhead costs of running the Village. These include the costs of council, and the fiscal officer.

Security of Persons and Property are the costs of police protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the pool; the community environment department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for capital outlay, general government, transportation and security of persons and property, which account for 27, 12, 20, 28 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net (Disbursements) Receipts column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost of Services 2011</b>	<b>Net Cost of Services 2011</b>	<b>Total Cost of Services 2010</b>	<b>Net Cost of Services 2010</b>
General Government	\$ 285,949	(\$ 217,009)	\$ 245,526	(\$ 176,818)
Security of Persons and Property	676,036	(631,344)	709,745	(671,352)
Public Health Services	22,652	(22,652)	22,088	(22,088)
Leisure Time Activities	104,278	(48,676)	107,616	(53,186)
Community Environment	10,526	(4,516)	10,525	(10,525)
Basic Utilities				
Transportation	489,326	(330,303)	478,207	(318,535)
Capital Outlay	651,946	(153,848)	1,583,384	(74,151)
Principal Retirement	79,068	(15,578)	956,677	(934,414)
Interest and Fiscal Charges	74,313	(74,313)	45,714	(45,714)
<b>Total Expenses</b>	<b>\$2,394,094</b>	<b>(\$1,498,239)</b>	<b>\$4,159,482</b>	<b>(\$2,306,783)</b>

The dependence upon property and income tax receipts is apparent as 51 percent of governmental activities are supported through these general receipts.

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

**Business-type Activities**

Revenues were adequate to cover the costs to operate the Business Activities. The Village will continue to adjust rates so that each utility collects enough revenue to off-set costs.

**The Village's Funds**

The water fund had receipts of \$693,101 and disbursements of \$487,620. The fund balance of the Water Fund increased \$205,481. The Water Reserve Fund had receipts of \$75,000 and disbursements of \$62,316. The Water Reserve fund balance increased \$12,684. The sewer fund had receipts of \$574,593 and disbursements of \$431,344. The fund balance of the sewer fund increased \$143,249. The Sewer Debt Retirement fund had receipts of \$318,340 and disbursements of \$297,182. The fund balance of the Sewer debt retirement fund increased \$21,158.

**General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2011, the Village amended its budget several times to reflect changing circumstances. Final budgeted receipts were slightly lower than the original budgeted receipts. Actual receipts were 5% greater than budgeted. Final appropriations were slightly greater than original while actual disbursements were less than appropriations.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure. The Village has acquired a software package to accomplish this task and is in the process of entering the necessary information. It was anticipated that this program would be fully functional for 2011 but reductions in staff delayed the implementation. This projected has been delayed until such time it can be completed.

**Debt**

At December 31, 2011, the outstanding debt was \$3,378,967 issued for water and sewer improvements, equipment, improvements to structures, and street improvements. The Village also has \$35,289 in capital leases for equipment. For further information regarding the Village's debt, refer to Notes 10 and 11 to the basic financial statements.

**Current Issues**

The challenge for all villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. To continue to promote our current level of services additional revenue must be obtained. A safety service levy was passed May 4, 2011 increasing the income tax rate by .5% effective July 1, 2011. The current income tax rate is 1.65%.

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Crystal Huffer, Fiscal Officer, Village of Ada, 115 West Buckeye Avenue, P.O. Box 292, Ada, Ohio 45810.

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**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2011**

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,383,559	\$1,840,783	\$3,224,342
Total Assets	<u>1,383,559</u>	<u>1,840,783</u>	<u>3,224,342</u>
<b>Net Assets:</b>			
<b>Restricted for:</b>			
Capital Projects	109,392		109,392
Debt Service		247,723	247,723
Other Purposes	1,116,627	1,593,060	2,709,687
Unrestricted	157,540		157,540
Total Net Assets	<u>\$1,383,559</u>	<u>\$1,840,783</u>	<u>\$3,224,342</u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Program Cash Receipts</b>			
	<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
General Government	\$285,949	\$54,430		\$14,510
Security of Persons and Property	676,036	18,972		\$25,720
Public Health Services	22,652			
Leisure Time Activities	104,278	55,602		
Community Environment	10,526	6,010		
Transportation	489,326	27,548	\$131,475	
Capital Outlay	651,946			498,098
<b>Debt Service:</b>				
Principal Retirement	79,068	63,490		
Interest and Fiscal Charges	74,313			
<b>Total Governmental Activities</b>	<b>2,394,094</b>	<b>226,052</b>	<b>131,475</b>	<b>538,328</b>
<b>Business Type Activity:</b>				
Sewer	431,344	561,830		
Sewer Debt Retirement	297,182	318,340		
Sewer Improvements	34,785	47,227		
Sewer Reserve	17,644	15,000		
Solid Waste & Refuse	191,308	219,016		
Storm Sewer Utility	42,132	71,185		
Utility Deposit	45,653	41,250		
Water	487,620	622,237		
Water Debt Retirement	61,600	63,995		
Water Reserve	62,316	75,000		
<b>Total Business Type Activities</b>	<b>1,671,584</b>	<b>2,035,080</b>		
<b>Total</b>	<b>\$4,065,678</b>	<b>\$2,261,132</b>	<b>\$131,475</b>	<b>\$538,328</b>

**General Receipts**

**Property and Other Local Taxes Levied for:**

General Purposes

Municipal Income Taxes - General Purposes

Municipal Income Taxes - Swimming Pool

Municipal Income Taxes - Safety Levy

Grants and Entitlements not Restricted to Specific Programs

Interest

Loan and Note Proceeds

Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

*See accompanying notes to the basic financial statements.*

**Net (Disbursements) Receipts and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
(\$217,009)		(\$217,009)
(631,344)		(631,344)
(22,652)		(22,652)
(48,676)		(48,676)
(4,516)		(4,516)
(330,303)		(330,303)
(153,848)		(153,848)
(15,578)		(15,578)
(74,313)		(74,313)
<u>(1,498,239)</u>		<u>(1,498,239)</u>
	\$130,486	130,486
	21,158	21,158
	12,442	12,442
	(2,644)	(2,644)
	27,708	27,708
	29,053	29,053
	(4,403)	(4,403)
	134,617	134,617
	2,395	2,395
	12,684	12,684
	<u>363,496</u>	<u>363,496</u>
<u>(1,498,239)</u>	<u>363,496</u>	<u>(1,134,743)</u>
45,171		45,171
902,303		902,303
132,124		132,124
137,922		137,922
119,206		119,206
17,196		17,196
85,791	44,468	130,259
46,186	39,159	85,345
<u>1,485,899</u>	<u>83,627</u>	<u>1,569,526</u>
(12,340)	447,123	434,783
<u>1,395,899</u>	<u>1,393,660</u>	<u>2,789,559</u>
<u>\$1,383,559</u>	<u>\$1,840,783</u>	<u>\$3,224,342</u>

VILLAGE OF ADA  
HARDIN COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
December 31, 2011

	<u>General</u>	<u>Street Maintenance and Repair</u>	<u>Permissive Moter Vehicle Tax</u>	<u>Swimming Pool Reserves</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>							
Equity in Pooled Cash and Cash Equivalents	\$157,540	\$363,312	\$217,934	\$482,400	\$109,392	\$52,981	\$1,383,559
Total Assets	<u>157,540</u>	<u>363,312</u>	<u>217,934</u>	<u>482,400</u>	<u>109,392</u>	<u>52,981</u>	<u>1,383,559</u>
<b>Fund Balances:</b>							
Restricted		363,312	217,934	482,400	109,392	52,981	1,226,019
Assigned	12,611						12,611
Unassigned (Deficit)	144,929						144,929
Total Fund Balances	<u>\$157,540</u>	<u>\$363,312</u>	<u>\$217,934</u>	<u>\$482,400</u>	<u>\$109,392</u>	<u>\$52,981</u>	<u>\$1,383,559</u>

See accompanying notes to the basic financial statements.

VILLAGE OF ADA  
HARDIN COUNTY

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Street Maintenance and Repair	Permissive Motor Vehicle Tax	Swimming Pool Reserves	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>							
Property and Other Local Taxes	\$947,474		\$14,588	\$114,692		\$155,354	\$1,232,108
Charges for Services	17,470	\$1,500				55,602	74,572
Fines, Licenses and Permits	73,403						73,403
Intergovernmental	134,435	116,847			\$498,098	34,474	783,854
Special Assessments	63,490						63,490
Interest	17,057	3,584	1,570			139	22,350
Miscellaneous	35,192	10,055				939	46,186
Total Receipts	<u>1,288,521</u>	<u>131,986</u>	<u>16,158</u>	<u>114,692</u>	<u>498,098</u>	<u>246,508</u>	<u>2,295,963</u>
<b>Disbursements:</b>							
<b>Current:</b>							
General Government	280,476					5,473	285,949
Security of Persons and Property	511,111					164,925	676,036
Public Health Services	22,652						22,652
Leisure Time Activities						104,278	104,278
Community Environment	10,526						10,526
Transportation	325,187	161,690				2,449	489,326
Capital Outlay	38,763				613,183		651,946
<b>Debt Service:</b>							
Principal Retirement	43,818	35,250					79,068
Interest and Fiscal Charges	38,478	35,835					74,313
Total Disbursements	<u>1,271,011</u>	<u>232,775</u>			<u>613,183</u>	<u>277,125</u>	<u>2,394,094</u>
Excess of Receipts Over (Under) Disbursements	<u>17,510</u>	<u>(100,789)</u>	<u>16,158</u>	<u>114,692</u>	<u>(115,085)</u>	<u>(30,617)</u>	<u>(98,131)</u>
<b>Other Financing Sources (Uses):</b>							
Loan Proceeds					85,791		85,791
Transfers In						66,582	66,582
Transfers Out	(10,106)			(56,476)			(66,582)
Total Other Financing Sources (Uses)	<u>(10,106)</u>			<u>(56,476)</u>	<u>85,791</u>	<u>66,582</u>	<u>85,791</u>
Net Change in Fund Balances	7,404	(100,789)	16,158	58,216	(29,294)	35,965	(12,340)
Fund Balances Beginning of Year	150,136	464,101	201,776	424,184	138,686	17,016	1,395,899
Fund Balances End of Year	<u>\$157,540</u>	<u>\$363,312</u>	<u>\$217,934</u>	<u>\$482,400</u>	<u>\$109,392</u>	<u>\$52,981</u>	<u>\$1,383,559</u>

See accompanying notes to the basic financial statements.

VILLAGE OF ADA  
HARDIN COUNTY

STATEMENT OF FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Water</u>	<u>Water Reserve</u>	<u>Sewer</u>	<u>Sewer Debt Retirement</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$512,257	\$224,003	\$461,422	\$121,938	\$521,163	\$1,840,783
Total Assets	<u>512,257</u>	<u>224,003</u>	<u>461,422</u>	<u>121,938</u>	<u>521,163</u>	<u>1,840,783</u>
<b>Net Assets:</b>						
Unrestricted	512,257	224,003	461,422	121,938	521,163	1,840,783
Total Net Assets	<u><u>\$512,257</u></u>	<u><u>\$224,003</u></u>	<u><u>\$461,422</u></u>	<u><u>\$121,938</u></u>	<u><u>\$521,163</u></u>	<u><u>\$1,840,783</u></u>

*See accompanying notes to the basic financial statements.*

VILLAGE OF ADA  
HARDIN COUNTY

**STATEMENT OF CASH RECEIPTS,  
DISBURSEMENTS AND CHANGES IN FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Water</u>	<u>Water Reserve</u>	<u>Sewer</u>	<u>Sewer Debt Retirement</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Operating Receipts:</b>						
Charges for Services	\$622,237	\$75,000	\$561,830	\$318,340	\$457,673	\$2,035,080
Other Operating Receipts	26,396		12,763			39,159
Total Operating Receipts	<u>648,633</u>	<u>75,000</u>	<u>574,593</u>	<u>318,340</u>	<u>457,673</u>	<u>2,074,239</u>
<b>Operating Disbursements:</b>						
Billing - Water	419,793					419,793
Billing - Sewers			431,344			431,344
Billing - Storm Sewers					6,950	6,950
Billing - Refuse Collection and Disposal					191,308	191,308
Other Sanitary Sewers and Sewage					34,785	34,785
Other Basic Utility Service					45,653	45,653
Capital Outlay	44,699				35,289	79,988
Total Operating Disbursements	<u>464,492</u>		<u>431,344</u>		<u>313,985</u>	<u>1,209,821</u>
Operating Income	184,141	75,000	143,249	318,340	143,688	864,418
<b>Non-Operating Receipts and (Disbursements):</b>						
Notes Issued	44,468					44,468
Principal Payments	(23,128)	(42,608)		(254,087)	(72,537)	(392,360)
Interest and Fiscal Charges		(19,708)		(43,095)	(6,600)	(69,403)
Total Non-Operating (Disbursements)	<u>21,340</u>	<u>(62,316)</u>		<u>(297,182)</u>	<u>(79,137)</u>	<u>(417,295)</u>
Change in Net Assets	205,481	12,684	143,249	21,158	64,551	447,123
Net Assets Beginning of Year	<u>306,776</u>	<u>211,319</u>	<u>318,173</u>	<u>100,780</u>	<u>456,612</u>	<u>1,393,660</u>
Net Assets End of Year	<u>\$512,257</u>	<u>\$224,003</u>	<u>\$461,422</u>	<u>\$121,938</u>	<u>\$521,163</u>	<u>\$1,840,783</u>

See accompanying notes to the basic financial statements.

VILLAGE OF ADA  
HARDIN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2011

	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$15,142
Total Assets	<u>15,142</u>
<b>Net Assets:</b>	
Unrestricted	<u><u>\$15,142</u></u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**1. REPORTING ENTITY**

The Village of Ada, Hardin County, Ohio (the Village), is a body of corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village contracts with Ada Liberty Township Fire Department for fire protection services.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village of Ada has no component units.

**C. Jointly Governed Organizations and Public Entity Risk Pools**

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. Notes 7 and 14 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**A. Basis of Presentation**

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

**2. Fund Financial Statements**

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**B. Fund Accounting**

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

**1. Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Street Maintenance and Repair Fund, Permissive Motor Vehicle Tax Fund, Swimming Pool Reserves Fund and Capital Projects Fund. The General Fund is used to account for all financial resources, except those required to be accounted for 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. The Street Maintenance and Repair Fund and the Permissive Motor Vehicle Tax Fund are used to account for resources restricted to repair and maintenance of Village streets. The Swimming Pool Reserve Fund is used to fund operations of the Village pool. The Capital Projects Fund is used to account for major capital improvements.

**2. Proprietary Funds**

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

**Enterprise Funds** - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water, Water Reserve, Sewer, and Sewer Debt Retirement Funds. The Water Fund accounts for the provision of water to the residents and commercial users located within the Village. The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. The Water Reserve Fund accounts for money set aside for water related debt obligations. The Sewer Debt Retirement Fund accounts for sewer related debt requiring a separate debt service fund.

**3. Fiduciary Funds**

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to 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. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's Agency Fund is used to account for Fire Damage and Insurance deposits. The Village has no Trust funds.

**C. Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when is paid rather than when a liability is incurred.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statement as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During the year, the Village invested in federal agency securities (FHLB and FFCB) through Huntington National Bank. Certificates of deposit were purchased through the CDARS program.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2011 were \$17,057 which includes \$15,984 assigned from other funds.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village does not have any restricted assets.

**G. Inventory and Prepaid Items**

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**I. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither the other financing source nor capital outlay expenditures are reported at inception. Lease payments are reported when paid.

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for maintenance of roads and the swimming pool.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**M. Fund Balance**

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

**Non-spendable** - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**Restricted** - Fund balance is reported as 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. Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Committed** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

**Un-assigned** - U-assigned fund balance is the residual classification for the general fund and includes amounts not contained 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 ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**N. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**3. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund, Street Maintenance and Repair Fund, Permissive Motor Vehicle Tax Fund and Swimming Pool Reserves Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The differences between the budgetary basis and the cash basis are outstanding year end. Encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis).

**4. DEPOSITS AND INVESTMENTS**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. The CDARS program.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,395,002 of the Village's bank balance of \$1,895,002 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments**

As of December 31, 2011, the Village had the following investments which carry an AAA rating by Standard and Poor's:

<u>Description</u>	<u>Market Value</u>	<u>Maturity</u>
Federal Farm Credit Bank Note	\$ 500,785	More than 1 Year
Federal Home Loan Bank Notes	855,650	More than 1 Year
Total	<u>\$1,356,435</u>	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M) (2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**5. INCOME TAXES**

The Village levies a 1.65 percent income tax whose proceeds are placed into the General Fund, Safety Fund, Swimming Pool Fund, and Swimming Pool Reserves Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the 1.65 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**VILLAGE OF ADA  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Public utility property tax receipts received in 2011 represent the collection of 2010 taxes. Public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2009, were levied after October 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Village operations for the year ended December 31, 2011, was \$70.05 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2011 property tax receipts were based are as follows:

<b>Real Property - 2010 Valuation:</b>	
Residential/Agricultural	\$37,429,390
Commercial	8,404,970
Industrial	2,006,520
Public Utilities	2,770
<b>Tangible Personal Property – 2010 Valuation:</b>	
Public Utilities	2,151,760
Total Valuation	<u>\$50,019,420</u>

**7. 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. 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, 2010, PEP retained \$350,000 for casualty claims and \$150,000 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 accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010:

**VILLAGE OF ADA  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

	<b>2011</b>	<b>2010</b>
Assets	\$33,362,404	\$34,952,010
Liabilities	(14,187,273)	(14,320,812)
Net Assets	\$19,175,131	\$20,631,198

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$57,972.

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.

<b>Contributions to PEP</b>	
<b>2011</b>	<b>2010</b>
\$63,013	\$53,254

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.

**8. DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

**Plan Description** – The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**VILLAGE OF ADA  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**Funding Policy** – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in the State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2011, members in the state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2011, member and employer contribution rates were consistent across all three plans.

The Village's 2011 contribution rate was 14 percent, except for those plan members in public safety or law enforcement, for whom the Village's contribution was 18.10 percent of covered payroll. The portion of the Village's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of Village's contribution allocated to health care for members in the traditional plan was 4 percent. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$62,760, \$61,069, and \$51,874, respectively; 100 percent has been contributed for 2011, 2010 and 2009.

**B. Ohio Police and Fire Pension Fund**

**Plan Description** - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** - Plan members are required to contribute 10.0 percent of their annual covered salary, employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. For 2011, a portion of the Village's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment health care plan. The Village's contributions to OP&F for pension obligations were \$38,449, \$36,833 and \$36,052 for the years ended December 31, 2011, 2010 and 2009, respectively; 100 percent has been contributed for 2011, 2010 and 2009.

VILLAGE OF ADA  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

9. POST EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

**Plan Description** - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for post-care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)222-5601 or 800-222-7377.

**Funding Policy** - The postemployment health care plan was established under, and is administrated in accordance with Internal Revenue Code 401 (h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed 14 percent of covered payroll and public safety and law enforcement employers contributed 18.1 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in the traditional plan was 4 percent.

The OPERS retirement board is authorized to established rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The Village's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2011, 2010, and 2009 was \$25,104, \$34,815, and \$37,567 respectively; 100 percent has been contributed for 2011, 2010 and 2009.

**VILLAGE OF ADA  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**9. POST EMPLOYMENT BENEFITS (Continued)**

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1 of each year from 2006 to 2008. Rates for public safety and law enforcement employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

**Plan Description** – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension members, currently 19.5% of covered payroll for police employers. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units. Active members do not make contributions to the OPEB plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2011, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll.

The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and 401(h).

**VILLAGE OF ADA  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**9. POST EMPLOYMENT BENEFITS (Continued)**

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment mounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F for the years ending December 31, 2011, 2010 and 2009 for police were \$58,804, \$56,333 and \$55,858 of which \$20,355, \$19,500 and \$19,806 were allocated to the healthcare plan.

**10. DEBT**

A summary of the note transactions for the year ended December 31, 2011, follows:

	<b>Interest Rate</b>	<b>Balance 12/31/2010</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/2011</b>
Ohio Water Development Authority (1989)	2.20%	\$ 420,001		\$ 60,792	\$ 359,209
Ohio Water Development Authority (1996)	7.89%	163,156		107,434	55,722
Ohio Water Development Authority (2000)	2.20%	1,056,179		85,861	970,318
Ohio Waterworks Improvement Bonds (1993)	6.00%	110,000		55,000	55,000
Ohio Public Works Commission Loan			\$85,791		85,791
General Obligation Note – (2006)	5.31%	88,700		12,881	75,819
General Obligation Note – (2011)			44,468	18,510	25,958
General Obligation Note – (2009)	0.00%	120,000		20,000	100,000
General Obligation Note – (2006)	3.93%	167,100		30,950	136,150
Buckeye Street Improvement Bonds – (2010)	5.29%	900,000		25,000	875,000
Streetscape Bonds – (2004)	4.50%	695,000		55,000	640,000
Total Principal Outstanding:		<u>\$3,720,136</u>	<u>130,259</u>	<u>\$471,428</u>	<u>\$3,378,967</u>

The Ohio Water Development Authority (OWDA) loans relate to sewer system expansion projects that were mandated by the Ohio Environmental Protection Agency. The 1989, 1996 and 2000 loans will be repaid in semiannual installments over 20 years. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover the (OWDA) debt service requirements.

Ohio Water Works System Bonds were issued in 1993 for water system improvements and a refunding of previous bonded debt. The bonds are being paid annually over 20 years.

A General Obligation Note was issued in 2006 to purchase 2 lime slackers. The principal will be retired in varying annual amounts over 10 years.

A General Obligation Note was issued in 2006 to repaint the water tower. The principal will be retired in varying annual amounts over 9 years.

A General Obligation Note was issued in 2009 to purchase 119 W. Buckeye and 114 W. Buckeye Street properties which are associated with the Buckeye Street Project Phase 1. The Village entered into purchase agreements with the owners of the aforementioned Buckeye Street properties which require annual payments to the property owners; the bank loan is being utilized to finance the required payments. This is an interest only loan with a balloon payment in 2011. Buckeye Street Improvement Bonds were issued in the amount of \$900,000 during 2010 to pay off a 2008 General Obligation Note. The principal will be retired in varying annual amounts over 20 years.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**10. DEBT (Continued)**

General Obligation Note was issued in 2011 to purchase property. The principal will be retired in varying annual amounts over 4 years.

The Streetscape Bonds were issued in 2004 for streetscape improvements. The principal will be retired in varying annual amounts over 20 years.

The 2011 Ohio Public Works Commission (OPWC) loan was issued for the East Lincoln Street Project with zero % interest. The principal will be retired in equal amounts over 25 years. Amortization of the above debt, including interest, is scheduled as follows:

Year	OPWC Loan - 2011	OWDA Loans	General Obligation Note - 2006	General Obligation Note - 2006	General Obligation Note - 2009	General Obligation Note - 2011	Buckeye St. Bonds - 2010	Street- scape Bonds	Ohio Water Works Improvement Bonds
2012		\$237,984	\$17,444	\$ 37,138	\$ 20,000	\$ 8,653	\$ 75,891	\$ 88,650	\$58,300
2013	\$ 3,432	178,327	17,512	37,163	80,000	8,653	74,436	85,950	
2014	3,432	178,327	17,439	37,139		8,652	72,717	83,250	
2015	3,432	178,327	17,427	37,061			75,998	60,550	
2016	3,432	178,327	17,469				74,278	58,870	
2017-2021	17,158	577,984					366,635	288,183	
2022-2026	17,158						362,387	175,438	
2027-2031	17,158						291,740		
2032-2036	17,158								
2037	3,431								
Totals	\$85,791	\$1,529,276	\$87,291	\$148,501	\$100,000	\$25,958	\$1,394,082	\$840,891	\$58,300

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and un-voted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2011, were an overall debt margin of \$3,499,890 with an un-voted debt margin of \$998,919.

**11. LEASES**

The Village leases vehicles and other equipment under non-cancelable leases. The Village disbursed \$42,388 to pay lease costs for the year ended December 31, 2011. Future lease payments are as follows:

Year	Amount
2012	\$35,289
Total	\$35,289

**12. INTER-FUND TRANSFERS**

During 2011, the Village transferred \$56,476 from the Swimming Pool Reserves Fund to the Swimming Pool Fund. Transfers from the Swimming Pool Reserves Fund to the Swimming Pool Fund represent the reallocation income tax proceeds levied for the swimming pool.

**VILLAGE OF ADA  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**13. CONTINGENT LIABILITIES**

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

**14. JOINTLY GOVERNED ORGANIZATIONS**

**A. 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 within 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

**B. 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 within 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 City 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.

**15. SUBSEQUENT EVENTS**

The Village is under mandates from the EPA to update the sanitary sewer plant. Grants have been applied for and designs have been created to update the facility. However, if grant money is not available it may not be possible to proceed with the mandates until funding is obtained.

**16. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

**Changes in Accounting Principle**

For 2011, the Village has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and/or unassigned. The implementation of this Statement did not impact the previously stated fund balances.

VILLAGE OF ADA  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

**16. ACCOUNTABILITY AND COMPLIANCE (Continued)**

**B. Compliance**

Funds were established without Council or Auditor of State approval which violated Ohio Revised Code Sections 5705.09, 5705.121, 5705.13, 5705.131, and 5705.43. Money was transferred to these funds without Council approval which violated Ohio Revised Code Section 5705.14(E).

The Village failed to prior certify all disbursements which violated Ohio Revised Code Section 5705.41(D).

**VILLAGE OF ADA  
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**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$922,591	\$897,704	\$947,474	\$49,770
Charges for Services	13,834	10,198	17,470	7,272
Fines, Licenses and Permits	92,289	111,175	73,403	(37,772)
Intergovernmental	122,336	85,237	134,435	49,198
Special Assessments	67,263	71,036	63,490	(7,546)
Interest	29,870	42,683	17,057	(25,626)
Miscellaneous	24,545	13,898	35,192	21,294
Total Receipts	<u>1,272,728</u>	<u>1,231,931</u>	<u>1,288,521</u>	<u>56,590</u>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	279,304	278,271	280,476	(2,205)
Security of Persons and Property	667,602	800,113	511,111	289,002
Public Health Services	22,652	22,652	22,652	
Community Environment	10,431	10,261	10,526	(265)
Transportation	298,249	285,523	325,187	(39,664)
Capital Outlay	1,500	(2,770)	38,763	(41,533)
<b>Debt Service:</b>				
Principal Retirement	96,361		43,818	(43,818)
Interest and Fiscal Charges			38,478	(38,478)
Total Disbursements	<u>1,376,099</u>	<u>1,394,050</u>	<u>1,271,011</u>	<u>123,039</u>
Excess of Receipts Over (Under) Disbursements	<u>(103,371)</u>	<u>(162,119)</u>	<u>17,510</u>	<u>179,629</u>
<b>Other Financing Sources (Uses):</b>				
Transfer Out			(10,106)	10,106
Fund Balance Beginning of Year	119,033	119,033	119,033	
Prior Year Encumbrances Appropriated	<u>31,103</u>	<u>31,103</u>	<u>31,103</u>	
Fund Balance End of Year	<u>\$46,765</u>	<u>(\$11,983)</u>	<u>\$157,540</u>	<u>\$189,735</u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
STREET MAINTENANCE AND REPAIR FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Charges for Services	\$2,472	\$1,500	\$1,500	
Intergovernmental	112,990	116,847	116,847	
Interest	6,695	3,584	3,584	
Miscellaneous	10,041	10,055	10,055	
Total Receipts	<u>132,198</u>	<u>131,986</u>	<u>131,986</u>	
<b>Disbursements:</b>				
<b>Current:</b>				
Transportation	297,354	510,984	161,690	\$349,294
Principal Retirement	71,085	71,085	35,250	35,835
Interest and Fiscal Charges			35,835	(35,835)
Total Disbursements	<u>368,439</u>	<u>582,069</u>	<u>232,775</u>	<u>349,294</u>
Excess of Receipts(Under) Disbursements	<u>(236,241)</u>	<u>(450,083)</u>	<u>(100,789)</u>	<u>349,294</u>
Fund Balance Beginning of Year	386,136	386,136	386,136	
Prior Year Encumbrances Appropriated	<u>77,965</u>	<u>77,965</u>	<u>77,965</u>	
Fund Balance End of Year	<u>\$227,860</u>	<u>\$14,018</u>	<u>\$363,312</u>	<u>\$349,294</u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
PERMISSIVE MOTOR VEHICLE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$14,891	\$14,588	\$14,588	
Interest	2,363	1,570	1,570	
Total Receipts	<u>17,254</u>	<u>16,158</u>	<u>16,158</u>	
Total Disbursements				
Excess of Receipts Over Disbursements	<u>17,254</u>	<u>16,158</u>	<u>16,158</u>	
Net Change in Fund Balance	17,254	16,158	16,158	
Fund Balance Beginning of Year	<u>201,776</u>	<u>201,776</u>	<u>201,776</u>	
Fund Balance End of Year	<u><u>\$219,030</u></u>	<u><u>\$217,934</u></u>	<u><u>\$217,934</u></u>	<u><u>\$0</u></u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
SWIMMING POOL RESERVES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$97,699	\$114,692	\$114,692	
Total Receipts	<u>97,699</u>	<u>114,692</u>	<u>114,692</u>	
Total Disbursements				
Excess of Receipts Over Disbursements	<u>97,699</u>	<u>114,692</u>	<u>114,692</u>	
<b>Other Financing Sources (Uses):</b>				
Transfer Out	<u>(68,626)</u>	<u>(80,777)</u>	<u>(56,476)</u>	<u>\$24,301</u>
Net Change in Fund Balance	<u>29,073</u>	<u>33,915</u>	<u>58,216</u>	<u>24,301</u>
Fund Balance Beginning of Year	<u>424,184</u>	<u>424,184</u>	<u>424,184</u>	
Fund Balance End of Year	<u><u>\$453,257</u></u>	<u><u>\$458,099</u></u>	<u><u>\$482,400</u></u>	<u><u>\$24,301</u></u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**Basis of Accounting**

The budget is prepared on the same cash basis as applied to the funds in the basic financial statements.

**Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinances, all of which are prepared on the cash basis as required by the County Budget Commission. All funds, other than Agency Funds, are legally required to be budgeted and appropriated. The certificate of estimated resources and the appropriation ordinances are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified. All changes in appropriated amounts require action by Village Council.

**Tax Budget** – The Hardin County Budget Commission has adopted a resolution waiving required adoption of the annual tax budget for subdivisions that file their prior year financial statement with the Commission by June 30<sup>th</sup> and which either have no public debt or which have public debt and file additional debt-related information with the Commission.

**Estimated Resources** – Prior to October 1, the Village accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the estimated fund balance and projected revenue of each fund. Prior to December 31, the Village must revise its budget so that total contemplated expenditures/expenses from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about January 1, the certificate is amended to include the actual unencumbered fund balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the fiscal officer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during 2011.

**Appropriations** – By March 31, the annual appropriation ordinance must be legally enacted by the Village at the fund level which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Village may pass a temporary appropriation measure to meet the ordinary expenses of the Village. The appropriation ordinance, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation or alter total appropriations within an object of a department must be approved by Village Council. Council may pass supplemental fund appropriations so long as the total appropriation by fund does not exceed the amounts set forth in the most recent amended certificate of estimated resources. During the year, several supplemental appropriations were adopted. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

**Budgeted Level of Expenditure/Expense** – Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures/expenses plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. For all funds, Council appropriations are made by fund.

**Lapsing of Appropriations** - Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

VILLAGE OF ADA  
HARDIN COUNTY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)

**Budgetary Process (Continued)**

**Encumbrances** – Encumbrance accounting is utilized by Village funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. Encumbrances outstanding at year end appear as either part of the restricted, committed, or assigned fund balance and as the equivalent of expenditures on the budgetary comparison in order to demonstrate legal compliance. This encumbrance authority is carried forward to the next fiscal year and is reported in the “Revised Budget” amount for budgetary comparisons. If the actual expenditures are less than the amount encumbered, the excess reserve is closed to the unreserved fund balance.



# Dave Yost • Auditor of State

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

Village of Ada  
Hardin County  
115 W. Buckeye Avenue  
P.O. Box 292  
Ada, Ohio 45810

To the Members of Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ada, Hardin County (the Village), as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 18, 2012, wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles and adopted the provisions of Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 and 2011-04 described in the accompanying schedule of findings to be 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-02 through 2011-05.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 18, 2012.

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

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



**Dave Yost**  
Auditor of State

December 18, 2012

**VILLAGE OF ADA  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS**

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

**FINDING NUMBER 2011-01**

**Material Weakness**

**Recording of Financial Activity**

The Village should have procedures in place to help assure the proper recording of financial activity in the accounting records and financial statements and to assist in the effective management and reporting of financial resources. The Village had the following classification errors in the accounting records and/or financial statements:

<b>Opinion Unit</b>	<b>Amount</b>	<b>Village Classification</b>	<b>Proper Classification</b>
General Fund and Governmental Activities	\$38,478	Debt - Principal	Debt - Interest
Street Maintenance and Repair Fund and Governmental Activities	\$35,835	Debt - Principal	Debt - Interest
General Fund and Governmental Activities	\$31,811	Debt - Principal	Capital Outlay
Governmental Activities	\$25,720	Program Revenue - Capital Grants - Pubic Safety	Program Revenue - Capital Grants - Security of Persons and Property
Governmental Activities	\$ 6,010	Program Revenue - Operating Grants - Community Environment	Program Revenue - Charges for Services - Community Environment
Governmental Activities	\$55,602	Program Revenue - Operating Grants - Leisure Time Activities	Program Revenue - Charges for Services - Leisure Time Activities
Governmental Activities	\$54,430	General Revenue - Fines, Licenses and Fees	Program Revenue - Charges for Services - General Government
Governmental Activities	\$18,973	General Revenue - Fines, Licenses and Fees	Program Revenue - Charges for Services - Security of Persons and Property
Governmental Activities	\$14,588	Program Revenue - Operating Grants - Transportation	Program Revenue - Charges for Services - Transportation
Governmental Activities	\$1 38	Program Revenue - Operating Grants - Transportation	General Revenue - Interest
Governmental Activities	\$44,690	Program Revenue - Charges for Services - General Government	Program Revenue - Charges for Services - Debt Service Principle
Water Reserve Fund	\$75,000	Other Financing Sources	Charges for Services
Water Reserve Fund	\$19,078	Debt - Principal	Debt - Interest
Sewer Debt Retirement	\$43,095	Debt - Principal	Debt - Interest
Other Enterprise Funds	\$35,289	Debt - Principal	Capital Outlay
Other Enterprise Funds	\$ 6,600	Debt - Principal	Debt - Interest

**FINDING NUMBER 2011-01  
(Continued)**

In addition to the classification and recording errors described above, the following errors and omissions were identified in the Village's financial statements and note disclosures:

- The governmental fund financial statements provided by the Village presented General Fund special cost centers as separate major funds. As a result, an audit adjustment had to be made to eliminate \$856,764 of transfers in and out between these General Fund special cost centers. In addition, an audit adjustment had to be made to eliminate \$1,026,490 of transfers out from governmental activities on the statement of activities.
- The Village established three new special revenue funds during 2011; the Safety Tax Levy, Special Street Construction and Street Equipment Reserve funds. The activity of these governmental funds was omitted from the 2011 financial statements prepared by the Village. Audit adjustments had to be made to record combined revenue of \$251,171, expenditures of \$145,319 and assets/fund balance of \$105,852 for these funds on the fund and entity wide statements.
- The Village received and expended OPWC loan proceeds totaling \$85,791 during December 2011 but this activity was not reflected in the Village's financial statements or notes. Audit adjustments were made to record \$85,791 in loan proceeds and related capital outlay disbursements in the Capital Projects Fund.
- In the 2010 audit, grant receipts and expenditures in the amount of \$174,377 were identified as being received and expended during 2010 but not recorded by the Village until 2011 and were adjusted onto the 2010 statements. The amount was also reported on the 2011 statements by the Village and was removed by audit adjustments since it had been reported in the previous year.
- To correct Water Fund transfers on the fund and entity wide statements, audit adjustments were required to decrease charges for services receipts by \$75,000, increase transfers-out by \$1,500 and decrease billing expenses by \$76,500.
- To correct Sewer Fund transfers on the fund and entity wide statements, audit adjustments were required to decrease charges for services receipts by \$15,000, increase transfers-out by \$1,500 and decrease billing expenses by \$16,500.
- The Village did not classify governmental fund balances in accordance with GASB 54. The financial statements have been adjusted to reflect GASB 54 fund balance classifications as restricted, committed and unassigned.
- The financial statement notes omitted information such as the amount of interest revenue assigned to the General Fund from other Village funds, and the Village's contributions to retirement systems for 2009.
- The MD&A included information that was not applicable to current year financial activity

The failure to accurately record transactions and prepare complete MD&A and note disclosures may not only impact the users' understanding of the financial operations, it may also inhibit the Village Council and management's ability to make sound financial decisions, may impact the Village's ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. The accompanying MD&A, financial statements, notes, and where applicable the accounting records, have been adjusted to correct the errors identified above.

The Fiscal Officer and Council should periodically review the accounting records to identify recording errors. After preparing the annual financial statement a review should be performed by the Fiscal Officer and Council to identify errors. Resources such as those found on the Auditor of State web site should be utilized when recording transactions and preparing the annual financial statements and notes.

**OFFICIALS' RESPONSE:** It is the intent of the Village of Ada to properly classify all financial activities in the account records and financial statements. We agree that it is important to periodically review the accounting records to identify recording errors and we will establish a calendar for doing so.

### FINDING NUMBER 2011-02

#### Finding for Recovery - Repaid Under Audit

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

On October 5, 2011 the Village issued check #042559 payable to Mastercard, the Village's credit card account, in the amount of \$1,245.89. The credit card statement included transactions to Cracker Barrel and Great Wolf Lodge. The detailed invoices related to the Cracker Barrel transactions included meals for the fiscal officer's family members in the amount of \$32.32. The detailed invoices for the Great Wolf Lodge transactions included tokens, magiquest and meals for the fiscal officer's family members in the amount of \$143.04. The voucher packet for this credit card payment also included a check from the fiscal officer's personal account for the amount of her personal expenses which should not have been paid by the Village. However, the fiscal officers' check was not applied to the Village's credit card account and that portion of the balance was paid by the Village in the subsequent month.

There was no documentation to support that the items purchased were for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Crystal Huffer, Fiscal Officer, in the amount of \$175 and in favor of the Village of Ada's Sewer Fund.

On May 22, 2012, this finding for recovery in the amount of \$175 was repaid by Crystal Huffer with receipt #891202.

**OFFICIALS' RESPONSE:** We agree with the comments in the finding and have, as the finding indicates, dealt with the problem. This situation came about in part as a result of inadequate policies and procedures for use of the village credit cards. The funds were recovered immediately and the Mayor and the Fiscal Officer had significant discussions regarding this issue and the potential for similar issues in the future. Council has discussed the matter and agreed to modify the policy. That will be done officially as part of a review of the policies and procedures this year.

### FINDING NUMBER 2011-03

#### Finding for Recovery - Repaid Under Audit

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

**FINDING NUMBER 2011-03  
(Continued)**

**Ohio Revised Code Section 2921.41(A)** states, in part, that no public official... shall commit any theft offense, as defined in division (K) of section 2913.01 of the Revised Code, when either of the following applies: (1) The offender uses the offender's office in aid of committing the offense or permits or assents to its use in aid of committing the offense; (2) The property or service involved is owned by this state, any other state, the United States, a county, a municipal corporation, a township, or any political subdivision, department, or agency of any of them, is owned by a political party, or is part of a political campaign fund. (B) Whoever violates this section is guilty of theft in office.

During 2011, the Village issued warrant #042572 in the amount of \$1,333.74 payable to the Visa Card Center, a credit card account belonging to the Village. The credit card statement included a purchase from Brainetics, LLC in the amount of \$219.32 for Brainetics Learning System items such as DVD's. The Brainetics Learning System is a learning tool for children. There was no evidence that the purchase of this item was authorized by the Village. Further, the items purchased with Village funds were in the possession of the fiscal officer rather than the Village at the time of the audit.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public property that has been converted or misappropriated is hereby issued against Crystal Huffer, Fiscal Officer, in the amount of \$219 and in favor of the Village of Ada's General Fund (\$26) and Water Fund (\$193).

On May 22, 2012, this finding for recovery was repaid by Crystal Huffer with receipt #891202 in the amount of \$219.

**OFFICIALS' RESPONSE:** The Mayor had a meeting with the Fiscal Officer regarding the inappropriate purchase at the same time the item in finding number 2011-02 was discussed. The Fiscal Officer understands the importance of receiving prior approval from an appropriate official of the village before making such purchases.

**FINDING NUMBER 2011-04**

**Material Weakness / Noncompliance Citation**

**Ohio Rev. Code Section 5705.09** states each subdivision shall establish the following funds:

- (A) General fund;
- (B) Sinking fund whenever the subdivision has outstanding bonds other than serial bonds;
- (C) Bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness;
- (D) A special fund for each special levy;
- (E) A special bond fund for each bond issue;
- (F) A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose;
- (G) A special fund for each public utility operated by a subdivision;
- (H) A trust fund for any amount received by a subdivision in trust.

In addition, **Ohio Rev. Code Sections 5705.121, 5705.13, 5705.131, and 5709.43**, specify additional funds which may be established by the Village when necessary.

**Ohio Rev. Code Section 5705.14(E)** states money may be transferred from the general fund to any other fund of the subdivision. OAG Opinion 89-075 requires a governing board resolution passed by a simple majority of the board members to transfer funds.

**FINDING NUMBER 2011-04  
(Continued)**

During 2011, the Village established a special revenue street construction fund (fund 210), a special revenue street reserve equipment fund (fund 211), an enterprise water equipment reserve fund (fund 511) and an enterprise sewer equipment reserve fund (fund 512). The source of funding for the street construction fund and the street reserve equipment fund was General Fund transfers. The water equipment reserve fund and sewer equipment reserve fund were established by transfers from the water and sewer funds.

The aforementioned funds established by the Village during 2011 are not funds which are required or authorized to be established by the Ohio Revised Code. In addition, the Village did not establish the funds by resolution or ordinance and did seek or obtain Auditor of State approval to establish these funds as required by Auditor of State Audit Bulletin 1999-006.

The accompanying financial statements have been adjusted to remove the unauthorized funds and return the activity and balances to the funds which were used as a source to establish the funds. On December 18, 2012, the Village passed Resolution 2012-28 establishing these funds.

Additionally, the Village received and disbursed a \$25,000 federal grant award from the Justice Assistance Grant Program for the purchase of a new police cruiser. The grant receipts and expenditures were accounted for in the Village's General Fund rather than establishing a separate special revenue fund. The accompanying financial statements have been adjusted to correct this error.

The establishment of unnecessary or unauthorized funds not only creates unnecessary accounting transactions, but may also materially misstate the financial statements, and increases the risk of errors and/or irregularities. The failure to account for restricted receipts in a separate fund may result in the illegal disbursement of the money and the possible loss of funding.

The Village should refer to the Ohio Rev. Code sections listed above to further their understanding of when and how to create funds. If the Village wants to establish funds which are not required or authorized by the Ohio Rev. Code, the Village should refer to Auditor of State Audit Bulletin 1999-006 and seek approval from the Auditor of State to establish the desired funds. If the Village intends to set-aside money for future capital acquisitions, the capital project funds should be established by Village ordinance in accordance with Ohio Rev. Code Section 5705.13 (C).

**OFFICIALS' RESPONSE:** As the village moves its financial data and processes to a new version of the SSI software it is the intent that appropriate funds will be created in accordance with the Ohio Revised Code along with the recommendations and approval of the Auditor of the State as recommend in the finding.

**FINDING NUMBER 2011-05**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41(D)** states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

**FINDING NUMBER 2011-05  
(Continued)**

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.

- a. **"Then and Now" certificate** - If the fiscal officer can certify that both at the time that the contractor 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 subdivision can authorize the drawing of a warrant for the payment of the amount due. The subdivision 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 office 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 subdivision.

- b. **Blanket certificate** - Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the end of the 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.
- c. **Super Blanket certificate** - The subdivision 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 one line item appropriation.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

The Village did not properly certify ten out of the thirty-five disbursement transactions (29 percent) tested during 2011.

To improve controls over disbursements, and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the fiscal officer should certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used. When the "Then and Now" certification is used for amounts in excess of \$3,000, the Council should approve the payment by resolution within 30 days.

**OFFICIALS' RESPONSE:** It is the intent of the village to improve compliance by more closely following as described in the finding to ensure prior certification for exceptions to ORC 5704.41(D) and, when necessary, to have Council approve payments by resolution.

VILLAGE OF ADA  
HARDIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2010-01	Procedures should be implemented to reduce reporting errors in the accounting records and financial statements.	No	Repeated as Finding 2011-01

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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  
JANUARY 31 2013