



**Auditor of State
Betty Montgomery**

VILLAGE OF ADENA
JEFFERSON COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Adena
Jefferson County
P.O. Box 507
Adena, Ohio 43901-0507

To the Village Council:

We have audited the accompanying financial statements of the Village of Adena, Jefferson County (the Village) as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Adena, Jefferson County, as of December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2006, 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.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Village taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non Profit Organizations* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied to the audit of the financial statements and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 15, 2006

VILLAGE OF ADENA
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$22,245	\$45,758		\$68,003
Special Assessments		21,250		21,250
Intergovernmental Receipts	46,474	468,387		514,861
Fines, Licenses, and Permits	3,024			3,024
Miscellaneous	12,482	1,008		13,490
	<hr/>			
Total Cash Receipts	84,225	536,403		620,628
<hr/>				
Cash Disbursements:				
Current:				
Security of Persons and Property	10,128	16,135		26,263
Public Health Services	749			749
Leisure Time Activities		7,706		7,706
Transportation		55,501		55,501
General Government	46,342	324		46,666
Capital Outlay		462,540	\$554,010	1,016,550
	<hr/>			
Total Cash Disbursements	57,219	542,206	554,010	1,153,435
<hr/>				
Total Receipts Over/(Under) Disbursements	27,006	(5,803)	(554,010)	(532,807)
<hr/>				
Other Financing Receipts and (Disbursements):				
Sale of Bonds or Notes			554,010	554,010
Transfers-In		8,500		8,500
Transfers-Out	(8,500)			(8,500)
Other Financing Uses	(9,107)	(1,430)		(10,537)
	<hr/>			
Total Other Financing Receipts/(Disbursements)	(17,607)	7,070	\$554,010	543,473
<hr/>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	9,399	1,267		10,666
Fund Cash Balances, January 1	1,937	42,609		44,546
	<hr/>			
Fund Cash Balances, December 31	\$11,336	\$43,876		\$55,212
	<hr/> <hr/>			

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

VILLAGE OF ADENA
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$286,131		\$286,131
Miscellaneous	15,236		15,236
Total Operating Cash Receipts	<u>301,367</u>		<u>301,367</u>
Operating Cash Disbursements:			
Personal Services	56,315		56,315
Contractual Services	158,955		158,955
Supplies and Materials	28,176		28,176
Other	900		900
Capital Outlay	84		84
Total Operating Cash Disbursements	<u>244,430</u>		<u>244,430</u>
Operating Income/(Loss)	<u>56,937</u>		<u>56,937</u>
Non-Operating Cash Disbursements:			
Debt Service			
Principal Payments	32,917		32,917
Interest Payments	20,637		20,637
Other Non-Operating Cash Disbursements		\$10	10
Total Non-Operating Cash Disbursements	<u>53,554</u>	<u>10</u>	<u>53,564</u>
Net Receipts Over/(Under) Disbursements	3,383	(10)	3,373
Fund Cash Balances, January 1	<u>12,596</u>	<u>10</u>	<u>12,606</u>
Fund Cash Balances, December 31	<u><u>\$15,979</u></u>		<u><u>\$15,979</u></u>

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

**VILLAGE OF ADENA
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Adena, Jefferson County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government services, including water and sewer utilities, street maintenance and repair, park operations (leisure time activities), and police protection. The Village contracts with Adena Volunteer Fire Department to receive fire protection.

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

B. Basis of Accounting

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

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

Certificates of deposit are valued at cost.

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

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

New Street Improvement Levy Fund - This fund receives tax levy money for new construction and repair of Village streets.

VILLAGE OF ADENA
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Emergency Management Agency Fund - This fund receives federal grant monies for the repair of damages resulting from flooding.

Community Development Block Grant Fund - This fund receives federal grant money which is used for a waterline project.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Village Waterline Fund - This fund receives proceeds of general obligation notes. The proceeds are being used to construct a new Village waterline.

4. Enterprise Funds

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

Water Revenue Fund - This fund receives charges for services from residents to cover water service costs.

Sanitary Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Sewer Bond Retirement and Reserve Fund - This fund receives charges for services from residents to cover the repayment of sewer revenue bonds.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**VILLAGE OF ADENA
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not consistently use the encumbrance method of accounting as required by Ohio law.

A summary of 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2003
Demand deposits	\$51,191
Certificates of deposit	20,000
Total deposits	\$71,191

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,282	\$84,225	(\$57)
Special Revenue	544,902	544,903	1
Capital Projects	610,000	554,010	(55,990)
Enterprise	310,856	301,367	(9,489)
Total	\$1,550,040	\$1,484,505	(\$65,535)

**VILLAGE OF ADENA
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$85,655	\$74,826	\$10,829
Special Revenue	587,090	543,636	43,454
Capital Projects	608,412	554,010	54,402
Enterprise	301,316	297,984	3,332
Total	\$1,582,473	\$1,470,456	\$112,017

Contrary to Ohio Revised Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority in the Police Levy Fund, the Water Fund, and the Sanitary Sewer Fund by \$4,247, \$8,213 and \$4,586, respectively. Also contrary to Ohio Revised Code Section 5705.10, the Police Levy Fund, the Water Revenue Fund and Sanitary Sewer Fund had cash deficit balances of \$4,248, \$8,163 and \$2,501, respectively.

4. PROPERTY TAX

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

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan (PW-88)	\$84,300	8.04%
Ohio Water Development Authority Loan (PW-90)	\$59,292	7.96%
Sewer Revenue Bonds	\$83,950	4.0-4.5%
Water Revenue Bonds	95,000	5.00%
Ohio Water Development Authority Loan (PW-92)	625,865	2.00%
Total	\$948,407	

The Ohio Water Development Authority (OWDA) loans (PW-88 and PW-90) were issued for long term construction projects of the Village's sewer system and were issued for twenty-five years each. Future sewer utility revenue of the Village has been pledged to repay the loans.

The Sewer and Water Revenue Bonds were issued to pay for the sewer and water projects within the Village. Future sewer and water utility revenue has been pledged to repay the bonds.

**VILLAGE OF ADENA
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

5. DEBT – (Continued)

The Ohio Water Development Authority (OWDA) PW-92 loan was issued for along term construction project of the Village's water system and was issued for twenty years. Future water utility revenue has been pledged to repay the bonds

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA	Sewer Revenue Bonds	Water Revenue Bonds
2004	\$51,890	\$22,462	\$10,750
2005	61,247	23,677	10,450
2006	61,336	22,812	11,150
2007	61,433	23,897	10,800
2008	61,538		10,450
2009-2013	309,581		53,450
2014-2018	244,416		21,500
2019-2023	213,010		
Total	\$1,064,451	\$92,848	\$128,550

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

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

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

VILLAGE OF ADENA
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

7. RISK MANAGEMENT – (Continued)

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2004 and 2003.

	<u>2003</u>	<u>2002</u>
Assets	\$1,811,340	\$1,852,060
Liabilities	<u>(3,653,152)</u>	<u>(3,858,213)</u>
Accumulated deficit	<u>(\$1,841,812)</u>	<u>(\$2,006,153)</u>

8. LEGAL COMPLIANCE

Contrary to Ohio Revised Code Section 731.13, four former councilmen received increases in compensation during their elected term. Findings for recovery have been issued against the former councilmen, the Clerk/Treasurer and her bonding company, jointly and severally.

VILLAGE OF ADENA
JEFFERSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Expenditures
U. S. Department of Housing and Urban Development <i>Passed through the Ohio Department of Development:</i> Community Development Formula Program	14.228	C-W-01-212-1	\$447,376
Total Federal Awards Expenditures			<u>\$447,376</u>

The accompanying notes to this schedule are an integral part of this schedule.

**VILLAGE OF ADENA
JEFFERSON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2003**

A. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.



Auditor of State Betty Montgomery

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

Village of Adena
Jefferson County
P.O. Box 507
Adena, Ohio 43901-0507

To the Village Council:

We have audited the financial statements of the Village of Adena, Jefferson County, (the Village) as of and for the year ended December 31, 2003, and have issued our report thereon dated August 15, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-008.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated August 15, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 2004-001 through 2004-007. In a separate letter to the Village's management dated August 15, 2006, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management, Village Council, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

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Betty Montgomery
Auditor of State

August 15, 2006



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Village of Adena
Jefferson County
P.O. Box 507
Adena, Ohio 43901-0507

To the Village Council:

Compliance

We have audited the compliance of the Village of Adena, Jefferson County, Ohio (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United State of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular Ap-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of law, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, the Village Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 15, 2006

VILLAGE OF ADENA
JEFFERSON COUNTY
DECEMBER 31, 2003

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 ' .505

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs= Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under ' .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA# 14.228 Community Development Block Grant
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2003-001

Finding for Recovery – Overpayment of Compensation

Ohio Revised Code Section 731.13 states that village officials' compensation fixed by the council shall not be increased or diminished during the term for which any officer is elected or appointed. This section also establishes that compensation must be fixed for the ensuing term at a meeting held not later than five days prior to the last day set by law for filing as a candidate for such office. At the Village Council meeting held on July 13, 1999, a motion to raise Council members' salaries to \$50 per month was passed unanimously.

In Advisory Opinion 93-006, the Ohio Ethics Commission held, in part, that Ohio Revised Code Section 102.03(D) prohibits members of village council from enacting an ordinance granting an in-term increase in compensation for the current members of council. The Commission also held that a village's mayor cannot accept an in-term increase in his or her compensation.

Former Village Councilman George Hopkins, whose term ran from January 1, 1998 through December 31, 2001, was given an in term increase in 2000 which was paid in 2000 and 2001. A recap of the overpayment follows:

Official's Term	Pay Year	Allowable Pay	Actual Pay	Overpayment
1/1/1998 – 12/31/2001	2000	\$ 240	\$ 600	\$ 360
1/1/1998 – 12/31/2001	2001	\$ 240	\$ 600	\$ 360
Total Overpayment		\$ 480	\$ 1,200	\$ 720

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against George Hopkins, Former Councilman, Roberta Gaffney, Clerk/Treasurer, and the Cincinnati Insurance Company, (the Clerk/Treasurer's bonding company), in the amount of \$720 and in favor of the General Fund of the Village of Adena.

FINDING NUMBER 2003-002

Finding for Recovery – Overpayment of Compensation

Ohio Revised Code Section 731.13 states that village officials' compensation fixed by the council shall not be increased or diminished during the term for which any officer is elected or appointed. This section also establishes that compensation must be fixed for the ensuing term at a meeting held not later than five days prior to the last day set by law for filing as a candidate for such office. At the Village Council meeting held on July 13, 1999, a motion to raise Council members' salaries to \$50 per month was passed unanimously.

In Advisory Opinion 93-006, the Ohio Ethics Commission held, in part, that Ohio Revised Code Section 102.03(D) prohibits members of village council from enacting an ordinance granting an in-term increase in compensation for the current members of council. The Commission also held that a village's mayor cannot accept an in-term increase in his or her compensation.

Former Village Councilman George Young, whose term ran from January 1, 1998 through December 31, 2001, was given an in term increase in 2000 which was paid in 2000 and 2001. A recap of the overpayment follows:

Official's Term	Pay Year	Allowable Pay	Actual Pay	Overpayment
1/1/1998 – 12/31/2001	2000	\$ 240	\$ 600	\$ 360
1/1/1998 – 12/31/2001	2001	\$ 240	\$ 600	\$ 360
Total Overpayment		\$ 480	\$ 1,200	\$ 720

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against George Young, Former Councilman, Roberta Gaffney, Clerk/Treasurer, and the Cincinnati Insurance Company, (the Clerk/Treasurer's bonding company) in the amount of \$720 and in favor of the General Fund of the Village of Adena.

FINDING NUMBER 2003-003

Finding for Recovery – Overpayment of Compensation

Ohio Revised Code Section 731.13 states that village officials' compensation fixed by the council shall not be increased or diminished during the term for which any officer is elected or appointed. This section also establishes that compensation must be fixed for the ensuing term at a meeting held not later than five days prior to the last day set by law for filing as a candidate for such office. At the Village Council meeting held on July 13, 1999, a motion to raise Council members' salaries to \$50 per month was passed unanimously.

In Advisory Opinion 93-006, the Ohio Ethics Commission held, in part, that Ohio Revised Code Section 102.03(D) prohibits members of village council from enacting an ordinance granting an in-term increase in compensation for the current members of council. The Commission also held that a village's mayor cannot accept an in-term increase in his or her compensation.

Former Village Councilman Terry Remas, whose term ran from January 1, 1998 through December 31, 2001, was given an in term increase in 2000 which was paid in 2000 and 2001. A recap of the overpayment follows:

Official's Term	Pay Year	Allowable Pay	Actual Pay	Overpayment
1/1/1998 – 12/31/2001	2000	\$ 240	\$ 600	\$ 360
1/1/1998 – 12/31/2001	2001	\$ 240	\$ 600	\$ 360
Total Overpayment		\$ 480	\$ 1,200	\$ 720

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Terry Remas, Former Councilman, Roberta Gaffney, Clerk/Treasurer, and the Cincinnati Insurance Company, (the Clerk/Treasurer's bonding company) in the amount of \$720 and in favor of the General Fund of the Village of Adena.

FINDING NUMBER 2003-004

Finding for Recovery – Overpayment of Compensation

Ohio Revised Code Section 731.13 states that village officials' compensation fixed by the council shall not be increased or diminished during the term for which any officer is elected or appointed. This section also establishes that compensation must be fixed for the ensuing term at a meeting held not later than five days prior to the last day set by law for filing as a candidate for such office. At the Village Council meeting held on July 13, 1999, a motion to raise Council members' salaries to \$50 per month was passed unanimously.

In Advisory Opinion 93-006, the Ohio Ethics Commission held, in part, that Ohio Revised Code Section 102.03(D) prohibits members of village council from enacting an ordinance granting an in-term increase in compensation for the current members of council. The Commission also held that a village's mayor cannot accept an in-term increase in his or her compensation.

Former Village Councilman James Sefsick, whose term ran from January 1, 1998 through December 31, 2001 was given an in term increase in 2000 which was paid in 2000 and a part of 2001. Mr. Sefsick resigned his position in March 2001 and received compensation for only two months in 2001. A recap of the overpayment follows:

<u>Official's Term</u>	<u>Pay Year</u>	<u>Allowable Pay</u>	<u>Actual Pay</u>	<u>Overpayment</u>
1/1/1998 – 12/31/2001	2000	\$ 240	\$ 600	\$ 360
1/1/1998 – 12/31/2001	2001	\$ 40	\$ 100	\$ 60
Total Overpayment		\$ 280	\$ 700	\$ 420

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against James Sefsick, Former Councilman, Roberta Gaffney, Clerk/Treasurer, and the Cincinnati Insurance Company, (the Clerk/Treasurer's bonding company), in the amount of \$420 and in favor of the General Fund of the Village of Adena.

FINDING NUMBER 2003-005

Non Compliance Citation

Ohio Revised Code Section 5705.10 states that money that is paid into a fund must be used only for the purpose for which such fund has been established. A negative fund balance indicates that money from another fund(s) was used to cover the expenses of the funds listed below.

<u>Fund</u>	<u>Balance</u>
Police Levy Fund	\$(4,248)
Water Revenue Fund	\$(8,163)
Sanitary Sewer Fund	\$(2,501)

The Village should monitor fund balances closely and take appropriate action if a fund balance is near zero to prevent negative fund balances from occurring.

FINDING NUMBER 2003-006

Non Compliance Citation

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making expenditure unless it has been properly appropriated.

Expenditures exceeded appropriations in the following funds for 2003:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Dollar Variance</u>
Police Levy Fund	\$11,888	\$16,135	\$(4,247)
Water Revenue Fund	\$150,374	\$158,587	\$(8,213)
Sanitary Sewer Fund	\$78,083	\$82,669	\$(4,586)

The failure to limit expenditures plus encumbrances to the amount appropriated by the Village Council could result in overspending and negative cash balances. The Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk/Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2003-007

Non Compliance Citation

Ohio Revised Code Section 5705.41(D) provides 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 that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

- 1. Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 (\$1,000 prior to April 7, 2003) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

- 2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- 3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation 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 extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Village did not properly certify or record the amount against the applicable appropriation accounts for 19% of tested 2003 expenditures. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2003-008

Reportable Condition

All public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. The Village did not correctly code and classify receipts and expenditures. As a result, errors occurred including the misclassification of revenue totaling \$667,585 and misclassification of expenditures totaling \$447,376. In addition, numerous immaterial misclassification errors were identified but not adjusted. The Clerk/Treasurer has agreed to and posted the material reclassifications to the ledgers. These corrected amounts are reflected in the accompanying financial statements.

Failure to adopt and consistently follow a uniform chart of accounts increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Clerk/Treasurer should review the chart of accounts suggested in Ohio Administrative Code. All transactions should be properly coded and classified according to the adopted chart of accounts to help ensure financial activity of the Village is accurately recorded and reported.

OFFICIALS' RESPONSE

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

**VILLAGE OF ADENA
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Revised Code Section 5705.41(D) – Expenditures were not properly certified	No	Repeated as Finding 2003-007



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VILLAGE OF ADENA

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 9, 2006**