



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF ADELPHI
ROSS COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2018 and 2017
Fiscal Years Audited Under GAGAS: 2018 and 2017

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

Members of Council
Village of Adelphi
PO Box 568 11759 Market Street
Adelphi, Ohio 43101

We have reviewed the *Independent Auditor's Report* of the Village of Adelphi, Ross County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 6, 2019

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Village of Adelphi
Ross County, Ohio
Table of Contents
For the Fiscal Years Ended December 31, 2018 and 2017

| Title | Page |
|---|-------------|
| Independent Auditor’s Report | 1 |
| Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2018..... | 3 |
| Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) –Proprietary Fund Type – For the Year Ended December 31, 2018..... | 4 |
| Notes to the Financial Statements - For the Year Ended December 31, 2018..... | 5 |
| Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2017..... | 11 |
| Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) –Proprietary Fund Type – For the Year Ended December 31, 2017..... | 12 |
| Notes to the Financial Statements - For the Year Ended December 31, 2017..... | 13 |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> | 19 |
| Schedule of Findings | 21 |
| Schedule of Prior Audit Findings | 24 |

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Independent Auditor's Report

Village of Adelphi
Ross County
11759 Market Street
PO Box 568
Adelphi, Ohio 43101

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type and related notes of the Village of Adelphi, Ross County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Adelphi, Ross County, Ohio, as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2019, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering the Village's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Piketon, Ohio
September 23, 2019

**VILLAGE OF ADELPHI
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | General | Special Revenue | Totals (Memorandum Only) |
|---|-----------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$ 2,630 | \$ 2,011 | \$ 4,641 |
| Municipal Income Tax | 41,664 | - | 41,664 |
| Intergovernmental | 24,755 | 18,082 | 42,837 |
| Fines, Licenses and Permits | 4,313 | - | 4,313 |
| Earnings on Investments | 1,301 | 9 | 1,310 |
| Miscellaneous | 3,544 | - | 3,544 |
| <i>Total Cash Receipts</i> | 78,207 | 20,102 | 98,309 |
| Cash Disbursements | | | |
| Current: | | | |
| Security of Persons and Property | 14,698 | 4,116 | 18,814 |
| Transportation | - | 11,419 | 11,419 |
| General Government | 66,560 | - | 66,560 |
| <i>Total Cash Disbursements</i> | 81,258 | 15,535 | 96,793 |
| <i>Net Change in Fund Cash Balances</i> | (3,051) | 4,567 | 1,516 |
| <i>Fund Cash Balances, January 1</i> | 33,858 | 27,239 | 61,097 |
| Fund Cash Balances, December 31 | | | |
| Restricted | - | 31,806 | 31,806 |
| Unassigned | 30,807 | - | 30,807 |
| <i>Fund Cash Balances, December 31</i> | \$ 30,807 | \$ 31,806 | \$ 62,613 |

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | Enterprise |
|---|------------|
| Operating Cash Receipts | |
| Charges for Services | \$145,250 |
| <i>Total Operating Cash Receipts</i> | 145,250 |
| Operating Cash Disbursements | |
| Personal Services | 11,275 |
| Employee Fringe Benefits | 3,555 |
| Other | 91,622 |
| <i>Total Operating Cash Disbursements</i> | 106,452 |
| <i>Operating Income</i> | 38,798 |
| Non-Operating Receipts (Disbursements) | |
| Special Assessments | 21,937 |
| Principal Retirement | (67,286) |
| Interest and Other Fiscal Charges | (12,707) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | (58,056) |
| <i>Net Change in Fund Cash Balances</i> | (19,258) |
| <i>Fund Cash Balances, January 1</i> | 108,714 |
| <i>Fund Cash Balances, December 31</i> | \$89,456 |

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

Village of Adelphi, Ohio
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types.

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:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

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

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

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:

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Village of Adelphi, Ohio
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

Fund Balance

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

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

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

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

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

Village of Adelphi, Ohio
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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

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.

Note 3 – Deposits and Investments

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

| | |
|-------------------------|-----------|
| Demand deposits | \$39,959 |
| Certificates of deposit | 112,110 |
| Total deposits | \$152,069 |

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

Note 4 – Budgetary Activity

Budgetary activity for the years ending December 31 follows:

| Budgeted vs. Actual Receipts | | | |
|------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$90,542 | \$78,207 | (\$12,335) |
| Special Revenue | 20,505 | 20,102 | (403) |
| Enterprise | 165,500 | 167,187 | 1,687 |
| Total | \$276,547 | \$265,496 | (\$11,051) |

| Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$122,581 | \$81,258 | \$41,323 |
| Special Revenue | 47,744 | 15,535 | 32,209 |
| Enterprise | 264,888 | 186,445 | 78,443 |
| Total | \$435,213 | \$283,238 | \$151,975 |

Village of Adelphi, Ohio
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Property Tax

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

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

Note 6 – Income Tax

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

Income tax collections are processed by the Regional Income Tax Agency (RITA). RITA collects the income tax payments on-behalf of the Village and remits the payments to the Village monthly. The tax payments received from RITA are recorded in the accompanying financial statements as municipal income tax receipts.

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

Note 7 - Debt

Debt outstanding at December 31, 2018 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|------------------|--------------------|----------------------|
| OWDA Loan #2657 | \$53,282 | 2.2% |
| OWDA Loan #4227 | 698,180 | 1% |
| OWDA Loan #4959 | 406,683 | 1% |
| OPWC Loan #CT47L | 139,636 | 0% |
| Total | <u>\$1,297,781</u> | |

The Ohio Water Development Authority (OWDA) loans relate to sewer projects the Ohio Environmental Protection Agency mandated. The Village will repay loan 2657 in semiannual installments of \$3,650, including interest, over 20 years. The Village will repay loan #4227 in semiannual installments of \$20,716, including interest, over 30 years. Loan #4959 will be repaid in semiannual installments of \$10,759, including interest, over 30 years.

Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission loan relates to sewer projects the Ohio Environmental Protection Agency mandated. The Village will repay the interest-free loan in semiannual installments of \$3,247 over 30 years.

Village of Adelphi, Ohio
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

| Year ending December 31: | OWDA Loan #2657 | OWDA Loan #4227 | OWDA Loan #4959 | OPWC Loan |
|-----------------------------|--------------------|--------------------|--------------------|------------------|
| 2019 | \$7,300 | \$41,432 | \$21,519 | \$6,495 |
| 2020 | 7,300 | 41,432 | 21,519 | 6,495 |
| 2021 | 7,300 | 41,432 | 21,519 | 6,495 |
| 2022 | 7,300 | 41,432 | 21,519 | 6,495 |
| 2023 | 7,300 | 41,432 | 21,519 | 6,495 |
| 2024-2028 | 21,900 | 207,160 | 107,593 | 32,473 |
| 2029-2033 | - | 207,160 | 107,593 | 32,473 |
| 2034-2038 | - | 145,012 | 107,593 | 32,473 |
| 2039-2041 | - | 0 | 21,519 | 9,742 |
| Total | <u>\$58,400</u> | <u>\$766,492</u> | <u>\$451,893</u> | <u>\$139,636</u> |

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Social Security

Several Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 9 – Postemployment Benefits

Ohio Public Employees Retirement System

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 0 percent of the employer contribution to fund these benefits.

Village of Adelphi, Ohio
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**VILLAGE OF ADELPHI
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | General | Special Revenue | Totals (Memorandum Only) |
|--|------------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$ 3,502 | \$ 2,151 | \$ 5,653 |
| Municipal Income Tax | 41,664 | - | 41,664 |
| Intergovernmental | 23,333 | 18,674 | 42,007 |
| Fines, Licenses and Permits | 3,133 | - | 3,133 |
| Earnings on Investments | 390 | 6 | 396 |
| Miscellaneous | 28,837 | - | 28,837 |
| | <u>100,859</u> | <u>20,831</u> | <u>121,690</u> |
| <i>Total Cash Receipts</i> | | | |
| Cash Disbursements | | | |
| Current: | | | |
| Security of Persons and Property | 18,077 | 4,095 | 22,172 |
| Transportation | - | 12,272 | 12,272 |
| General Government | 79,765 | - | 79,765 |
| | <u>97,842</u> | <u>16,367</u> | <u>114,209</u> |
| <i>Total Cash Disbursements</i> | | | |
| <i>Net Change in Fund Cash Balances</i> | 3,017 | 4,464 | 7,481 |
| <i>Fund Cash Balances, January 1 - As Restated</i> | <u>30,841</u> | <u>22,775</u> | <u>53,616</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | - | 27,239 | 27,239 |
| Unassigned | 33,858 | - | 33,858 |
| | <u>33,858</u> | <u>-</u> | <u>33,858</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 33,858</u> | <u>\$ 27,239</u> | <u>\$ 61,097</u> |

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Enterprise |
|---|------------|
| Operating Cash Receipts | |
| Charges for Services | \$154,798 |
| <i>Total Operating Cash Receipts</i> | 154,798 |
| Operating Cash Disbursements | |
| Personal Services | 11,165 |
| Employee Fringe Benefits | 3,420 |
| Other | 98,460 |
| <i>Total Operating Cash Disbursements</i> | 113,045 |
| <i>Operating Income</i> | 41,753 |
| Non-Operating Receipts (Disbursements) | |
| Special Assessments | 12,169 |
| Principal Retirement | (60,149) |
| Interest and Other Fiscal Charges | (13,349) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | (61,329) |
| <i>Net Change in Fund Cash Balances</i> | (19,576) |
| <i>Fund Cash Balances, January 1</i> | 128,290 |
| <i>Fund Cash Balances, December 31</i> | \$108,714 |

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

Village of Adelphi, Ohio
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types.

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:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

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

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

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:

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

Basis of Accounting

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

Village of Adelphi, Ohio
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

Fund Balance

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

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

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

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

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

Village of Adelphi, Ohio
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

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

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.

Note 3 – Deposits and Investments

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

| | |
|-------------------------|-----------|
| Demand deposits | \$79,091 |
| Certificates of deposit | 90,720 |
| Total deposits | \$169,811 |

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

Note 4 – Budgetary Activity

Budgetary activity for the years ending December 31 follows:

| Budgeted vs. Actual Receipts | | | |
|------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$61,978 | \$100,859 | \$38,881 |
| Special Revenue | 20,694 | 20,831 | 137 |
| Enterprise | 160,500 | 166,967 | 6,467 |
| Total | \$243,172 | \$288,657 | \$45,485 |

| Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$101,862 | \$97,842 | \$4,020 |
| Special Revenue | 43,448 | 16,367 | 27,081 |
| Enterprise | 288,790 | 186,543 | 102,247 |
| Total | \$434,100 | \$300,752 | \$133,348 |

Village of Adelphi, Ohio
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Property Tax

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

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

Note 6 – Income Tax

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

Income tax collections are processed by the Regional Income Tax Agency (RITA). RITA collects the income tax payments on-behalf of the Village and remits the payments to the Village monthly. The tax payments received from RITA are recorded in the accompanying financial statements as municipal income tax receipts.

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

Note 7 - Debt

Debt outstanding at December 31, 2017 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|------------------|--------------------|----------------------|
| OWDA Loan #2657 | \$59,310 | 2.2% |
| OWDA Loan #4227 | 732,374 | 1% |
| OWDA Loan #4959 | 424,005 | 1% |
| OPWC Loan #CT47L | 149,378 | 0% |
| Total | <u>\$1,365,067</u> | |

The Ohio Water Development Authority (OWDA) loans relate to sewer projects the Ohio Environmental Protection Agency mandated. The Village will repay loan 2657 in semiannual installments of \$3,650, including interest, over 20 years. The Village will repay loan #4227 in semiannual installments of \$20,716, including interest, over 30 years. Loan #4959 will be repaid in semiannual installments of \$10,759, including interest, over 30 years.

Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission loan relates to sewer projects the Ohio Environmental Protection Agency mandated. The Village will repay the interest-free loan in semiannual installments of \$3,247 over 30 years.

Village of Adelphi, Ohio
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

| Year ending December 31: | OWDA Loan #2657 | OWDA Loan #4227 | OWDA Loan #4959 | OPWC Loan |
|-----------------------------|--------------------|--------------------|--------------------|------------------|
| 2018 | \$7,300 | \$41,432 | \$21,519 | \$6,495 |
| 2019 | 7,300 | 41,432 | 21,519 | 6,495 |
| 2020 | 7,300 | 41,432 | 21,519 | 6,495 |
| 2021 | 7,300 | 41,432 | 21,519 | 6,495 |
| 2022 | 7,300 | 41,432 | 21,519 | 6,495 |
| 2023-2027 | 29,200 | 207,160 | 107,593 | 32,473 |
| 2028-2032 | - | 207,160 | 107,593 | 32,473 |
| 2033-2037 | - | 186,444 | 107,593 | 32,473 |
| 2038-2041 | - | 0 | 43,037 | 19,484 |
| Total | <u>\$65,700</u> | <u>\$807,924</u> | <u>\$473,411</u> | <u>\$149,378</u> |

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Social Security

Several Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 9 – Postemployment Benefits

Ohio Public Employees Retirement System

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 0 percent of the employer contribution to fund these benefits.

Village of Adelphi, Ohio
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 11 – Restatement of Beginning Fund Balance of General Fund

The beginning balance of the General Fund was increased due to certificate of deposit interest receipts that were not recorded in previous years. The balance as of January 1, 2017 was restated from \$29,385 to \$30,841 in the General Fund.



Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Village of Adelphi
Ross County
11759 Market Street
PO Box 568
Adelphi, Ohio 43101

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States’ *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the Village of Adelphi, Ross County, (the Village) as of and for the years ended December 31, 2018 and 2017 and the related notes to the financial statements, and have issued our report thereon dated September 23, 2019, wherein we noted the Village followed financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village’s financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider findings 2018-001 and 2018-003 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-002.

Purpose of this Report

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

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
September 23, 2019

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| <p>Village of Adelphi Ross County Schedule of Findings December 31, 2018 and 2017</p> |
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| |
|--|
| <p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p> |
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| | |
|-----------------------|-----------------|
| FINDING NUMBER | 2018-001 |
|-----------------------|-----------------|

MATERIAL WEAKNESS

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

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Village’s internal controls over financial reporting. Misstatements were identified in the following areas for both 2017 and 2018:

- General Fund: Intergovernmental receipts, Property Tax receipts, Income Tax receipts, Earnings on Investment Receipts, and Fund Balance.
- Enterprise Fund: Principal and Interest disbursements, Other Disbursements, Fund Balance, Charges for Services, and Special Assessment receipts.

To ensure the Village’s financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Village Officer’s Handbook for guidance on the correct line item to post various receipts and expenditures of the Village.

Client Response: We received no response to this finding.

| | |
|-----------------------|-----------------|
| FINDING NUMBER | 2018-002 |
|-----------------------|-----------------|

MATERIAL NONCOMPLIANCE

Ohio Rev. Code, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances.

This section also provides two “exceptions” to the above requirements:

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

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| <p>Village of Adelphi Ross County Schedule of Findings December 31, 2018 and 2017</p> |
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| | |
|-----------------------|-----------------------------|
| FINDING NUMBER | 2018-002 (Continued) |
|-----------------------|-----------------------------|

MATERIAL NONCOMPLIANCE

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

- B. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any on particular line item appropriation.

- C. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer’s certification was not utilized for several material disbursements made by the Village. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds prior to making a purchase obligation. Failure to properly certify funds could result in overspending and negative fund balances.

The Village should certify purchases to which 5705.41 (D) applies. The most convenient method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Client Response: We received no response to this finding.

| | |
|-----------------------|-----------------|
| FINDING NUMBER | 2018-003 |
|-----------------------|-----------------|

MATERIAL WEAKNESS

Accurate reconciliation procedures are a key component of an effective accounting system required to enable the Village to properly classify transactions, maintain accountability for funds, distribute funds accurately, and detect fraud and errors in a timely manner.

**Village of Adelphi
Ross County
Schedule of Findings
December 31, 2018 and 2017**

| | |
|-----------------------|-----------------------------|
| FINDING NUMBER | 2018-003 (Continued) |
|-----------------------|-----------------------------|

MATERIAL WEAKNESS

We noted that the Village did not post interest receipts from certificates of deposit for several years. This resulted in audit adjustments to true up certificate of deposit balances.

Untimely recording of transactions and inaccurate reconciliations reduce management's ability to monitor of Village assets and funds and increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We recommend the Village address the above out of balance conditions and ensure that monthly reconciliations are performed timely and all variances between the book and the bank are identified and resolved during the reconciliation process. We also recommend that the monthly reconciliations be included in the financial packet presented to Council and that Council review and sign off on these reconciliations noting this review and approval. We further recommend that all transactions be posted to the accounting system timely.

Client Response: We received no response to this finding.

Village of Adelphi
Ross County
Schedule of Prior Audit Findings
December 31, 2018 and 2017

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|--|------------------|---|
| 2016-001 | Significant Deficiency – Financial Reporting | No | Reissued as 2018-001 |

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF ADELPHI

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 19, 2019**