



Dave Yost • Auditor of State

VILLAGE OF ADELPHI
ROSS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Adelphi
Ross County
11759 Market Street
P.O. Box 568
Adelphi, Ohio 43101

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Adelphi, Ross County, Ohio (the Village) as of and for the years ended December 31, 2012 and 2011.

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 of 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 opinion.

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

As described in Note 1 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, 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 combined cash balances of the Village of Adelphi, Ross County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matters

As discussed in Note 11 to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, the 2010 financial statements have been restated to correct a misstatement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 2, 2014

**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, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 2,831	\$ 2,038	\$ 4,869
Municipal Income Tax	24,704	-	24,704
Intergovernmental	22,365	18,174	40,539
Fines, Licenses and Permits	3,877	-	3,877
Earnings on Investments	628	24	652
Miscellaneous	11,862	-	11,862
<i>Total Cash Receipts</i>	<u>66,267</u>	<u>20,236</u>	<u>86,503</u>
Cash Disbursements			
Current:			
Security of Persons and Property	14,685	3,720	18,405
Transportation	-	6,499	6,499
General Government	46,185	-	46,185
Capital Outlay	-	1,931	1,931
<i>Total Cash Disbursements</i>	<u>60,870</u>	<u>12,150</u>	<u>73,020</u>
<i>Excess of Receipts Over Disbursements</i>	5,397	8,086	13,483
<i>Fund Cash Balances, January 1</i>	<u>70,737</u>	<u>5,778</u>	<u>76,515</u>
Fund Cash Balances, December 31			
Restricted	-	13,864	13,864
Assigned	21,318	-	21,318
Unassigned	54,816	-	54,816
<i>Fund Cash Balances, December 31</i>	<u>\$ 76,134</u>	<u>\$ 13,864</u>	<u>\$ 89,998</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)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 162,363
<i>Total Operating Cash Receipts</i>	162,363
Operating Cash Disbursements	
Personal Services	4,219
Employee Fringe Benefits	1,159
Contractual Services	2,691
Other	73,828
<i>Total Operating Cash Disbursements</i>	81,897
<i>Operating Income</i>	80,466
Non-Operating Disbursements	
Principal Retirement	(60,607)
Interest and Other Fiscal Charges	(16,138)
<i>Total Non-Operating Disbursements</i>	(76,745)
<i>Net Change in Fund Cash Balances</i>	3,721
<i>Fund Cash Balances, January 1</i>	78,732
<i>Fund Cash Balances, December 31</i>	\$ 82,453

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)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 2,971	\$ 2,003	\$ 4,974
Municipal Income Tax	24,349	-	24,349
Intergovernmental	31,420	16,971	48,391
Fines, Licenses and Permits	4,047	-	4,047
Earnings on Investments	757	24	781
Miscellaneous	5,260	2,500	7,760
<i>Total Cash Receipts</i>	<u>68,804</u>	<u>21,498</u>	<u>90,302</u>
Cash Disbursements			
Current:			
Security of Persons and Property	14,743	3,720	18,463
Transporation	-	17,783	17,783
General Government	59,334	-	59,334
<i>Total Cash Disbursements</i>	<u>74,077</u>	<u>21,503</u>	<u>95,580</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(5,273)	(5)	(5,278)
<i>Fund Cash Balances, January 1 (Restated- see Note 2)</i>	<u>76,010</u>	<u>5,783</u>	<u>81,793</u>
Fund Cash Balances, December 31			
Restricted	-	5,778	5,778
Assigned	23,251	-	23,251
Unassigned	47,486	-	47,486
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 70,737</u></u>	<u><u>\$ 5,778</u></u>	<u><u>\$ 76,515</u></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)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 149,221
<i>Total Operating Cash Receipts</i>	149,221
Operating Cash Disbursements	
Personal Services	3,533
Employee Fringe Benefits	922
Other	43,963
<i>Total Operating Cash Disbursements</i>	48,418
<i>Operating Income</i>	100,803
Non-Operating Disbursements	
Principal Retirement	(59,647)
Interest and Other Fiscal Charges	(16,740)
<i>Total Non-Operating Disbursements</i>	(76,387)
<i>Net Change in Fund Cash Balances</i>	24,416
<i>Fund Cash Balances, January 1</i>	54,316
<i>Fund Cash Balances, December 31</i>	\$ 78,732

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 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.

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. 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.

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

2. 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 Fund:

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. 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:

VILLAGE OF ADELPHI
ROSS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

1. Nonspendable

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

2. 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.

3. 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.

4. 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.

5. Unassigned

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

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. 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.

2. Restatement of Fund Balance

The Village has a certificate of deposit that had not previously been included in its financial statements; this resulted in restatement of its beginning fund balance at January 1, 2011:

	General Fund
Fund Balance - December 31, 2010	\$ 28,584
Restatement for Certificate of Deposit	47,426
Fund Balance (Restated) - January 1, 2011	\$ 76,010

3. Equity in Pooled Deposits and Investments

The Village maintains a deposit and investments pool all funds use, except for the certificate of deposits in the General Fund. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2012	2011
Demand deposits	\$ 83,821	\$ 67,133
Certificates of deposit	48,379	47,962
Other time deposits (savings and NOW accounts)	40,251	40,152
Total deposits and investments	\$ 172,451	\$ 155,247

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

4. Budgetary Activity

Budgetary activity for the years ending December 31 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,913	\$66,267	\$7,354
Special Revenue	18,693	20,236	1,543
Enterprise	142,000	162,363	20,363
Total	\$219,606	\$248,866	\$29,260

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$82,164	\$60,870	\$21,294
Special Revenue	29,120	12,150	16,970
Enterprise	146,610	158,642	(12,032)
Total	\$257,894	\$231,662	\$26,232

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,361	\$68,804	\$12,443
Special Revenue	19,062	21,498	2,436
Enterprise	132,000	149,221	17,221
Total	\$207,423	\$239,523	\$32,100

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,254	\$74,077	(\$6,823)
Special Revenue	130,050	21,503	108,547
Enterprise	153,810	124,805	29,005
Total	\$351,114	\$220,385	\$130,729

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.

Tangible personal property tax is assessed by the property owners, who must file a list of such 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 behalf of the Village.

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Local 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 the RITA either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

7. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan #2657	\$87,549	2.20%
OWDA Loan #4227	898,318	1.00%
OWDA Loan #4959	508,069	1.00%
OPWC Loan #CT47L	178,603	0.00%
Total	<u>\$1,584,990</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 loans. 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
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Debt (Continued)

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 CT47L
2013	\$7,300	\$41,432	\$21,519	\$6,495
2014	7,300	41,432	21,519	6,495
2015	7,300	41,432	21,519	6,495
2016	7,300	41,432	21,519	6,495
2017	7,300	41,432	21,519	6,495
2018-2022	36,500	207,160	107,593	32,473
2023-2027	29,200	207,160	107,593	32,473
2028-2032	0	207,160	107,593	32,473
2033-2037	0	186,444	107,593	32,474
2038-2042	0	0	43,038	16,235
Total	<u>\$102,200</u>	<u>\$1,015,084</u>	<u>\$581,005</u>	<u>\$178,603</u>

8. Retirement Systems

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

The Village's Council members contribute 6.2% of their salaries to the Social Security System. The Village makes a matching contribution of 6.2%.

9. 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**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

10. Related Party Transactions

The Village paid Hettinger Electric Company \$8,690 for construction services for the fire house and sewer pump station during 2011. The Mayor is owner of Hettinger Electric Company.

The Village also uses office space a Village Council member donated.

11. Change in Accounting Principles

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

GASB Statement No. 54 addresses accounting and financial reporting standards for new categories for reporting fund balances and revises the definitions for governmental fund types. The implementation of GASB Statement No. 54 did not have a significant effect on the financial statements of the Village.



Dave Yost • Auditor of State

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
Adelphi, Ohio 43101

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Adelphi, Ross County, Ohio (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated February 19, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and the 2010 financial statements have been restated.

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 opinion 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider findings 2012-001 and 2012-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-002.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

September 2, 2014

**VILLAGE OF ADELPHI
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Financial Reporting – Material Weakness

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

The following audit adjustments were made to the December 31, 2012 financial statements and the Village's accounting system where applicable:

- Adjustments to the General and Special Revenue funds to increase Earnings on Investments Revenue by \$516 for interest earned on a certificate of deposit and savings account.
- An entry within the General Fund of \$24,704 to reclassify Income Taxes improperly posted as Property and Other Local Tax Revenue.
- Adjustments to decrease Property and Other Local tax revenue in the General Fund and increase the Intergovernmental Revenue in the Special Revenue Funds by \$194 for a receipt posted to an incorrect fund.
- A reclassification entry within the General Fund in the amount of \$21,318 to decrease Unassigned fund balance and increase Assigned fund balance to properly classify the fund balances.
- A reclassification entry within the Enterprise Fund in the amount of \$3,247 to decrease Other Expenditures and increase Principal Payments.

The following audit adjustments were made to the December 31, 2011 financial statements and the Village's accounting system where applicable:

- Adjustments to increase the General Fund beginning fund balance in the amount of \$47,426 to include a certificate of deposit and earned interest that had been purchased several years prior; this CD balance had not been included in the Village's accounting system and 2011 beginning fund balance.
- Adjustments to increase the General Fund and decrease the Special Revenue Fund beginning fund balance in the amount of \$5,235 due to improperly recording prior audit beginning balance adjustments.
- An entry within the General Fund of \$24,349 to reclassify Income Taxes improperly posted as Property and Other Local Tax Revenue.
- A reclassification entry within the General Fund in the amount of \$23,251 to decrease Unassigned fund balance and increase Assigned fund balance to properly classify the fund balances.
- Adjustments to the General Fund and Special Revenue funds to increase Earnings on Investment Revenue in the amount of \$688 to properly record interest earned on certificates of deposit.
- A reclassification entry within the Enterprise Fund in the amount of \$3,247 to reclassify Other Expenditures as Principal Payments.

The adjustments and reclassifications identified above should be reviewed by the Fiscal Officer and the Village Council to ensure that similar errors are not reported on financial statements in subsequent years. In addition, we recommend the Village adopt procedures for the review of the activity posted to the accounting records and financial statements.

**VILLAGE OF ADELPHI
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-001 (Continued)

Financial Reporting – Material Weakness (Continued)

Additionally all certificates of deposit and other cash accounts should be entered into the Village's accounting system to ensure the accuracy of fund balances reported in the financial statements and disclosed in the notes to the financial statements.

FINDING NUMBER 2012-002

Prior Certification of Funds – Material Non-Compliance

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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" certificates - 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 Township 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 resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution 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 the expenditures by the Village.

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

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-002 (Continued)

Prior Certification of Funds – Material Non-Compliance (Continued)

The Village did not certify the availability of funds prior to the purchase commitment for 19 of 27 (70%) of expenditures tested during 2012 and 17 of 25 (68%) of expenditures tested during 2011. We also noted Council did not establish blanket and super blanket certificate amounts via formal resolution or ordinance.

Failure to certify funds prior to purchase obligation could result in negative fund 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.

We recommend the Fiscal Officer certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 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 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. When prior certification is not possible, "then and now" certification should be used.

We further recommend the Village Council establish blanket and super blanket certificate amounts via formal resolution or ordinance.

FINDING NUMBER 2012-003

Budgetary Integration – Material Weakness

Ohio Admin. Code Section 117-2-02 states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions.

Data such as estimated revenues and appropriations in the Village's accounting system at any given time should always agree to the amounts actually filed with the County Budget Commission in the Village's Official Certificate of Estimated Resources and Appropriation Resolution and any subsequent amendments.

**VILLAGE OF ADELPHI
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-003 (Continued)

Budgetary Integration – Material Weakness (Continued)

At December 31, we noted the appropriations in the Village’s accounting system did not agree to the last appropriation measure as follows:

Year	Fund	Appropriation Amount	System Amount	Variance
2012	General	\$82,164	\$76,316	(\$5,848)
2012	SCMR	18,720	22,220	3,500
2012	State Highway	7,000	2,523	(4,477)
2012	PMVL	3,400	4,861	1,461
2012	Sewer Operating	146,610	212,574	65,964
2012	OWDA	0	5,235	5,235
2011	General	67,254	81,400	14,146
2011	SCMR	113,000	18,720	(94,280)
2011	State Highway	8,125	7,000	(1,125)
2011	PMVL	8,925	3,400	(5,525)
2011	Sewer Operating	153,810	146,508	(7,302)

We recommend the Fiscal Officer update the Village’s accounting system as budget estimates are approved by Council and are filed with the County Budget Commission.

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Financial Statement Adjustments – Several audit adjustments were required.	No	Re-issued as Finding 2012-001
2010-002	Material Non-Compliance – Ohio Rev. Code 5705.41(D) – The Village did not certify availability of funds prior to commitment.	No.	Re-issued as Finding 2012-002
2010-003	Material Non-Compliance – Ohio Rev. Code 5705.41(B) – Budgetary expenditures exceeded appropriations.	No	Partially Corrected, Reported in the Management Letter
2010-004	Material Non-Compliance - OAC 117-2-02(A) – Accounting System Does Not Reflect Official Amounts	No	Re-issued as Finding 2012-003
2010-005	Material Non-Compliance - ORC 5705.36(A)(3) – The Village did not obtain amended certificates of estimated resources.	Yes	

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Dave Yost • Auditor of State

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
OCTOBER 21, 2014**