

**VILLAGE OF ADA  
HARDIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2006**





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of Ada  
115 W. Buckeye Ave.  
P. O. Box 292  
Ada, Ohio 45810

We have reviewed the *Independent Accountants' Report* of the Village of Ada, Hardin County, prepared by Knox & Knox, for the audit period January 1, 2006 through December 31, 2006. 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 Ada is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 12, 2008

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VILLAGE OF ADA  
HARDIN COUNTY

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# KNOX & KNOX

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Accountants and Consultants

## Independent Accountants' Report

Village of Ada  
Hardin County  
115 West Buckeye Street  
Ada, Ohio 45810

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities each major fund and the aggregate remaining fund information of the Village of Ada, Hardin County, Ohio (the Village), as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ada, Hardin County, Ohio, as of December 31, 2006, and the respective changes in financial position—cash basis and the respective budgetary comparison for the general; street construction, maintenance and repair; street; and permissive motor vehicle license tax funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2006, the Village revised its financial presentation comparable to the requirements of Governmental accounting Standard No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2008, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing and not to provide an opinion on the internal

control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

*KNOX & KNOX*

Orrville, Ohio  
September 23, 2008



**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

This discussion and analysis of the Village of Ada's(also referred to as the Government's) financial performance provides an overall review of the Government's financial activities for the year ended December 31, 2006, within the limitations of the Government's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Government's financial performance.

**HIGHLIGHTS**

Key highlights for 2006 are as follows:

In total, net assets decreased \$202,298 or 10.22 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the water fund, which spent almost all of its carryover leaving a balance of \$401.

The Village's general receipts are primarily income taxes and local governmental funds. These receipts represent 41 percent of the total general fund cash received during the year. Income tax receipts for 2006 were up by a small margin of 11.3 percent due to additional development within the Village.

The water operation, one of the Village's business-type activities, significantly decreased its carryover by 99 percent for the year. Expenditures exceeded receipts by \$192,320. The water tower expense of \$88,762 was paid in 2006. In addition, the water reserve account advanced the water fund \$12,986 to cover expenses. Water rates were increased in 2006.

The sewer operation, one of the Village's business-type activities, had more expenditures than receipts of \$21,765. As a result, sewer rates were increased in 2006.

**USING THE BASIC FINANCIAL STATEMENTS**

This annual report is presented in a format consistent with the presentation requirements of Government Accounting Standards Board Statement No. 34, as applicable to the Government's cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the entire Village.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Government as a way to segregate money whose use is restricted to a specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

**Basis of Accounting**

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

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

**REPORTING THE GOVERNMENT AS A WHOLE**

The statement of net assets and the statement of activities reflect how the Government did financially during 2006, the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Government at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Government's general receipts.

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

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

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

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

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

**REPORTING THE GOVERNMENT'S MOST SIGNIFICANT FUNDS**

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

**Governmental Funds** - Most of the Government's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Government's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the government's programs. The Government's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Government's only major governmental fund is the general fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**Proprietary Funds** - When the Government charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Government has four enterprise funds, the water fund, the sewer fund, the storm-sewer fund, and the refuse fund. When the services are provided to other departments of the Village, the service is reported as in internal service fund, The Village does not have any internal service funds..

**THE VILLAGE AS A WHOLE**

Table 1 provides a summary of the Government's net assets for 2006 on a cash basis.

(Table 1)  
Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	<u>\$919,608</u>	<u>\$861,946</u>	<u>\$1,781,554</u>
Total Assets	<u><u>\$919,608</u></u>	<u><u>\$861,946</u></u>	<u><u>\$1,781,554</u></u>
<b>NET ASSETS</b>			
Restricted for:			
Capital Projects	\$16,755		\$16,755
Other Purposes	553,317	\$861,946	1,415,263
Unrestricted	<u>349,536</u>	<u>                    </u>	<u>349,536</u>
Total Net Assets	<u><u>\$919,608</u></u>	<u><u>\$861,946</u></u>	<u><u>\$1,781,554</u></u>

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

As mentioned previously, net assets of decreased \$202,795 or 10.22 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- The Village's water fund spent \$192,320 of its carryover leaving a balance of \$401.
- The Village's sewer fund spent \$21,765 of its carryover.
- The Village received money in prior years and the expenses were not paid until 2006; such as, Fired Bond, Challenge Electric and Myers Bond and Choice One Construction contracts.

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

Table 2 reflects changes in net assets in 2006

(Table 2)  
Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>RECEIPTS:</b>			
Program Receipts:			
Charges for Services and Sales	\$21,018	\$1,493,992	\$1,515,010
Capital Grants and contributions	120		120
	<u>21,138</u>	<u>1,493,992</u>	<u>1,515,130</u>
Total Program Receipts			
General Receipts:			
Property and Other Local Taxes	58,420		58,420
Income Taxes	1,003,290		1,003,290
Intergovernmental	256,003		256,003
Charges for Services and Sales	58,324		58,324
Fines, Licenses, and Permits	56,166		56,166
Other Financing sources		132,000	132,000
Interest	107,690		107,690
Miscellaneous	111,086	29,060	140,146
	<u>1,650,979</u>	<u>161,060</u>	<u>1,812,039</u>
Total General Receipts			
	<u>1,672,117</u>	<u>1,655,052</u>	<u>3,327,169</u>
Total Receipts			
<b>DISBURSEMENTS</b>			
General Government	255,423		255,423
Security of Persons and Property	628,513		628,513
Public Health Services	19,488		19,488
Leisure Time Activities	80,731		80,731
Community Environment	10,967		10,967
Basic Utilities		1,321,085	1,321,085
Transportation	409,308		409,308
Capital Outlay	193,168	88,762	281,930
Principal Retirement/Interest	99,680	422,838	522,518
	<u>1,697,278</u>	<u>1,832,685</u>	<u>3,529,963</u>
Total Disbursements			
Increase (Decrease) in Net Assets	(25,161)	(177,633)	(202,794)
Net Assets, January 1	<u>944,769</u>	<u>1,039,579</u>	<u>1,984,348</u>
<b>NET ASSETS, DECEMBER 31</b>	<u><u>\$919,608</u></u>	<u><u>\$861,946</u></u>	<u><u>\$1,781,554</u></u>

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

Program receipts represent only 35 percent of total receipts, and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees.

General receipts represent 65 percent of the Government's total receipts, and of this amount, over 36 percent are local taxes. Other financing sources in the governmental activities represent transfers in that are recorded as revenue. The other financing sources in the business activities represent transfers from the water reserve and sewer reserve accounts. Other receipts are very insignificant and/or somewhat unpredictable revenue sources.

Disbursements for general government represent the overhead costs of running the Government. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing.

Security of persons and property are the costs of police protection; public health services is the health department; leisure time activities are the costs of maintaining the pool; the community environment department promotes the Government to industry and commerce as well as working with other governments in the area to attract new business; and transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for 24 and 37 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 15 percent. The next three columns of the statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

(Table 3)

**Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government	\$255,423	\$255,423
Security of Persons and Property	628,513	628,513
Public Health Services	19,488	19,488
Leisure Time Activities	80,731	80,731
Community Environment	10,967	10,967
Transportation	409,308	34,531
Capital Outlay	193,168	193,168
Principal Retirement/Interest	<u>99,680</u>	<u>99,680</u>
 Total Expenses	 <u><u>\$1,697,278</u></u>	 <u><u>\$1,322,501</u></u>

The dependence upon property and income tax receipts is apparent as over 59 percent of governmental activities are supported through these general receipts.

**Business-type Activities**

The water operation of the Government is spending more than it is receiving and therefore a rate adjustment has been made. The sewer operation of the Village is spending more than it is receiving and therefore a rate adjustment has been made. The sewer debt fund of the Village is spending more than it is receiving and therefore a rate adjustment has been made.

**THE GOVERNMENT'S FUNDS**

The water fund had receipts of \$653,355 and disbursements of \$845,675. The fund balance of the water fund decreased \$192,320. Total sewer fund had receipts of \$355,916 and disbursements of \$377,681. The fund balance of the sewer fund decreased \$21,765. The sewer debt retirement fund had receipts of \$254,456 and disbursements of \$298,485. The fund balance of the sewer debt retirement fund decreased \$44,029. The rates were adjusted in 2006.

**SEWER FUND BUDGETING HIGHLIGHTS**

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

During 2006, the Government amended its budget several times to reflect changing circumstances. Final budgeted receipts were equal to the original budgeted receipts. The difference between final budgeted receipts and actual receipts was not significant except within the sewer fund. Although receipts failed to live up to expectations, appropriations were not reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Government does not currently keep track of its capital assets and infrastructure. The Village has acquired a software package to accomplish this task and is in the process of entering the necessary information. It is anticipated that this program will be fully functional for 2007 but reductions in staff may delay the implementation.

**Debt**

At December 31, 2006, the Government's outstanding debt included \$4,223,077 in general obligation bonds issued for improvements to buildings and structures, and \$289,655 in capital leases for equipment. For further information regarding the Government's debt, refer to Note 11 to the basic financial statements.

**CURRENT ISSUES**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funds. We rely heavily on local taxes and have very little industry to support the tax base. To continue to promote our current level of services additional revenue must be obtained.

**CONTACTING THE VILLAGE'S MANAGEMENT**

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



**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$919,608</u>	<u>\$861,945</u>	<u>\$1,781,553</u>
Total Assets	<u><u>\$919,608</u></u>	<u><u>\$861,945</u></u>	<u><u>\$1,781,553</u></u>
<b>NET ASSETS</b>			
Restricted for:			
Capital Projects	\$186,745		\$186,745
Special Revenue	322,004		322,004
Other Purposes	73,937	\$861,945	935,882
Unrestricted	<u>336,922</u>	<u>                    </u>	<u>336,922</u>
Total Net Assets	<u><u>\$919,608</u></u>	<u><u>\$861,945</u></u>	<u><u>1,781,553</u></u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>						
General Government	\$255,423			(\$255,423)		(\$255,423)
Security of Persons and Property	628,512			(628,512)		(628,512)
Public Health	19,488			(19,488)		(19,488)
Leisure Time Activities	80,731			(80,731)		(80,731)
Community Environment	10,967			(10,967)		(10,967)
Transportation	409,308	\$58,324	\$111,086	(239,898)		(239,898)
Capital Outlay	193,168			(193,168)		(193,168)
Debt Service	99,680			(99,680)		(99,680)
<b>Total Governmental Activities</b>	<b>1,697,277</b>	<b>58,324</b>	<b>111,086</b>	<b>(1,527,867)</b>		<b>(1,527,867)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Water	845,675	658,767			(186,908)	(186,908)
Sewer	377,681	355,916			(21,765)	(21,765)
Other	622,315	664,581			42,266	42,266
<b>Total Business-Type Activities</b>	<b>1,845,671</b>	<b>1,679,264</b>			<b>(166,407)</b>	<b>(166,407)</b>
<b>Total</b>	<b>\$3,542,948</b>	<b>\$1,737,588</b>	<b>\$111,086</b>	<b>(1,527,867)</b>	<b>(166,407)</b>	<b>(1,694,274)</b>
<b>GENERAL RECEIPTS</b>						
Property Taxes Levied for:						
General Purposes				1,061,710		1,061,710
Special Assessments				21,018		21,018
Intergovernmental				256,123		256,123
Fines, Licenses, and Permits				56,166		56,166
Earnings on investments				107,690		107,690
<b>Total General Receipts</b>				<b>1,502,707</b>		<b>1,502,707</b>
Change in Net Assets				(25,160)	(166,407)	(191,567)
Net Assets Beginning of Year				944,769	1,028,353	1,973,122
Net Assets End of Year				<b>\$919,609</b>	<b>\$861,946</b>	<b>\$1,781,555</b>

See accompanying notes to the basic financial statements.

**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Permissive Motor Vehicle License	Street Maintenance & Repair	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Equity in Pooled Cash and Cash Equivalents	\$336,922	\$131,837	\$322,004	\$128,845	\$919,608
Total Assets	\$336,922	\$131,837	\$322,004	\$128,845	\$978,308
<b>FUND BALANCES</b>					
Reserved:					
Reserved for Encumbrances	\$21,615		\$6,930	\$30,155	\$58,700
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	315,307				315,307
Special Revenue Funds		\$131,837	315,074	98,690	545,601
Total Fund Balances	\$336,922	\$131,837	\$322,004	\$128,845	\$919,608

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Street	Permissive Motor Vehicle License	Street Maintenance & Repair	Other Governmental Funds	Total
<b>RECEIPTS:</b>						
Property and Other Local Taxes	\$915,896				\$131,341	\$1,047,237
Special Assessments		\$21,018				21,018
Charges for Services		4,707		\$2,400	51,217	58,324
Fines, Licenses, and Permits	56,166					56,166
Intergovernmental	126,941		\$14,473	119,493	9,689	270,596
Earnings on Investments	107,690					107,690
Other	21,880	76,793		10,000	2,413	111,086
<b>Total Receipts</b>	<b>1,228,573</b>	<b>102,518</b>	<b>14,473</b>	<b>131,893</b>	<b>194,660</b>	<b>1,672,117</b>
<b>DISBURSEMENTS:</b>						
<b>Current:</b>						
General Government	251,663	3,090			3,760	258,513
Security of Persons and property	625,422					625,422
Public Health Services	19,488					19,488
Leisure Time Activities					80,731	80,731
Community Environment	3,120				7,847	10,967
Transportation		289,050		114,550	5,708	409,308
Capital Outlay	6,423				186,745	193,168
Debt Service	30,503	29,810			39,368	99,681
<b>Total Disbursements</b>	<b>936,619</b>	<b>321,950</b>		<b>114,550</b>	<b>324,159</b>	<b>1,697,278</b>
<b>Excess Receipts Over/(Under) Disbursements</b>	<b>291,954</b>	<b>(219,432)</b>	<b>14,473</b>	<b>17,343</b>	<b>(129,499)</b>	<b>(25,161)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers-In		187,595				187,595
Transfers-Out	(142,227)				(45,368)	(187,595)
<b>Total Other Financing Sources (Uses)</b>	<b>(142,227)</b>	<b>187,595</b>			<b>(45,368)</b>	
<b>Net Change in Fund Balances</b>	<b>149,727</b>	<b>(31,837)</b>	<b>14,473</b>	<b>17,343</b>	<b>(174,867)</b>	<b>(25,161)</b>
<b>Fund Balances Beginning of Year</b>	<b>187,193</b>	<b>31,837</b>	<b>117,363</b>	<b>304,661</b>	<b>303,715</b>	<b>944,769</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$336,920</b>		<b>\$131,836</b>	<b>\$322,004</b>	<b>\$128,848</b>	<b>\$919,608</b>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS:</b>				
Property and Other Local Taxes	\$41,655	\$41,655	\$43,947	\$2,292
Intergovernmental	125,189	127,442	126,821	(621)
Fines, Licenses, and Permits	25,804	28,477	41,474	12,997
Earnings on investments	63,627	63,627	107,690	44,063
Miscellaneous	2,315	2,841	2,995	154
Total Receipts	258,590	264,042	322,927	58,885
<b>DISBURSEMENTS:</b>				
<b>Current:</b>				
Security of Persons and property	32,834	33,148	33,148	
Public Health Services	20,074	20,074	19,488	586
Community Environment	3,120	3,120	3,120	
General Government	244,625	243,993	226,242	17,751
Capital Outlay	23,570	23,570	6,423	17,147
Debt Service	30,503	30,503	30,503	
Total Disbursements	354,726	354,408	318,924	35,484
Excess Receipts Over/(Under) Disbursements	(96,136)	(90,366)	4,003	(94,369)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-In	69,146	163,732	165,499	(1,767)
Transfers-Out	(108,148)	(108,148)	(33,784)	(74,364)
Total Other Financing Sources (Uses)	(39,002)	55,584	131,715	(76,131)
Net Change in Fund Balances	(135,138)	(34,782)	135,718	170,500
Fund Balance Beginning of Year	201,202	201,202	201,202	
<b>FUND BALANCE END OF YEAR</b>	<b>\$66,064</b>	<b>\$166,420</b>	<b>\$336,920</b>	<b>\$170,500</b>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
STREET FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>RECEIPTS:</b>				
Special Assessments	23,811	26,090	21,018	(5,072)
Charges for Services	10,907	10,970	4,707	(6,263)
Miscellaneous	<u>63,717</u>	<u>68,380</u>	<u>76,793</u>	<u>8,413</u>
Total Receipts	<u>98,435</u>	<u>105,440</u>	<u>102,517</u>	<u>(2,923)</u>
<b>DISBURSEMENTS:</b>				
Current:				
Security of Persons and property	3,090	3,090	3,090	
Transportation	353,594	353,345	293,738	59,606
Dept Services	<u>29,798</u>	<u>29,810</u>	<u>29,810</u>	
Total Disbursements	<u>386,482</u>	<u>386,245</u>	<u>326,638</u>	<u>59,606</u>
Excess Receipts Over/(Under) Disbursements	<u>(288,047)</u>	<u>(280,805)</u>	<u>(224,121)</u>	<u>56,684</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-In	<u>266,431</u>	<u>266,431</u>	<u>187,595</u>	<u>(78,836)</u>
Total Other Financing Sources (Uses)	<u>266,431</u>	<u>266,431</u>	<u>187,595</u>	<u>(78,836)</u>
Net Change in Fund Balances	(21,616)	(14,373)	(36,526)	(22,153)
Fund Balance Beginning of Year	<u>36,526</u>	<u>36,526</u>	<u>36,526</u>	
<b>FUND BALANCE END OF YEAR</b>	<u><u>\$14,910</u></u>	<u><u>\$22,153</u></u>	<u><u></u></u>	<u><u>(\$22,153)</u></u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
PERMISSIVE MOTOR VEHICLE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
RECEIPTS:				
Property and Other Local Taxes	<u>\$15,770</u>	<u>\$15,770</u>	<u>\$14,473</u>	<u>(\$1,297)</u>
Total Receipts	<u>15,770</u>	<u>15,770</u>	<u>14,473</u>	<u>(1,297)</u>
DISBURSEMENTS:				
Capital Outlay	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Disbursements	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Excess Receipts Over/(Under) Disbursements	15,770	15,770	14,473	(1,297)
Fund Balance Beginning of Year	<u>117,363</u>	<u>117,363</u>	<u>117,363</u>	<u>                    </u>
FUND BALANCE END OF YEAR	<u><u>\$133,133</u></u>	<u><u>\$133,133</u></u>	<u><u>\$131,836</u></u>	<u><u>(\$1,297)</u></u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
STREET MAINTENANCE AND REPAIR FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Original</u>	<u>Final</u>	Budget Amounts <u>Actual</u>	Variance with Final Budget Positive (Negative)
RECEIPTS:				
Intergovernmental	\$111,117	\$111,117	\$119,493	\$8,376
Charges for Services	6,000	6,000	2,400	(\$3,600)
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>          </u>
Total Receipts	<u>127,117</u>	<u>127,117</u>	<u>131,893</u>	<u>4,776</u>
DISBURSEMENTS:				
Current:				
Transportation	<u>151,501</u>	<u>151,501</u>	<u>121,480</u>	<u>30,021</u>
Total Disbursements	<u>151,501</u>	<u>151,501</u>	<u>121,480</u>	<u>30,021</u>
Excess Receipts Over/(Under) Disbursements	(24,384)	(24,384)	10,413	34,797
Fund Balance Beginning of Year	<u>311,591</u>	<u>311,591</u>	<u>311,591</u>	<u>          </u>
FUND BALANCE END OF YEAR	<u><u>\$287,207</u></u>	<u><u>\$287,207</u></u>	<u><u>\$322,004</u></u>	<u><u>\$34,797</u></u>

*See accompanying notes to the basic financial statements.*



**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Business-Type Activities			
	Water Fund	Sewer Fund	Other Enterprise Funds	Total Enterprise Funds
<b>ASSETS</b>				
Equity in Pooled Cash and Cash Equivalents	\$401	\$87,042	\$774,502	\$861,945
Total Assets	\$401	\$87,042	\$774,502	\$861,945
<b>NET ASSETS</b>				
Unrestricted	\$401	\$87,042	\$774,502	\$861,945
Total Net Assets	\$401	\$87,042	\$774,502	\$861,945

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Business-Type Activities</u>			<u>Total Enterprise Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	
<b>OPERATING RECEIPTS</b>				
Charges for Services	<u>\$508,369</u>	<u>\$355,916</u>	<u>\$658,767</u>	<u>\$1,523,052</u>
Total Operating Receipts	<u>508,369</u>	<u>355,916</u>	<u>658,767</u>	<u>1,523,052</u>
<b>OPERATING DISBURSEMENTS</b>				
Basic Utility Services	730,768	377,681		1,108,449
Other Utility Services			<u>212,636</u>	<u>212,636</u>
Total Operating Disbursements	<u>730,768</u>	<u>377,681</u>	<u>212,636</u>	<u>1,321,085</u>
Operating Income (Loss)	(222,399)	(21,765)	446,131	201,967
<b>NON-OPERATING RECEIPTS (DISBURSEMENTS)</b>				
Capital Outlay	(88,762)			(88,762)
Debt Service	(26,145)		(398,450)	(424,595)
Loan Proceeds	<u>144,986</u>			<u>144,986</u>
Total Non-Operating Receipts (Disbursements)	<u>30,079</u>		<u>(398,450)</u>	<u>(368,371)</u>
Change in Net Assets	(192,320)	(21,765)	47,681	(166,404)
Net Assets Beginning of Year	<u>192,721</u>	<u>108,807</u>	<u>726,822</u>	<u>1,028,350</u>
<b>NET ASSETS END OF YEAR</b>	<u><u>\$401</u></u>	<u><u>\$87,042</u></u>	<u><u>\$774,503</u></u>	<u><u>\$861,946</u></u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**1. REPORTING ENTITY**

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

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

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general governmental services, water and sewer utilities, maintenance of Village roads and bridges, park operations and police services.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village.

The Village of Ada has no component units.

**C. Joint Ventures**

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

**A. Basis of Presentation** (continued)

2. Fund Financial Statements

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

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

**B. Fund Accounting**

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

1. Governmental Funds

The Villages classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the general fund, street fund, permissive motor vehicle license fund, and the street maintenance and repair fund. The general fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

2. Proprietary Funds

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

*Enterprise Funds* - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

**B. Fund Accounting** (continued)

2. Proprietary Funds (continued)

*Water Fund* - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

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

**C. Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section of this note.

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

**D. Budgetary Process**

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

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, division, and office level and within each, for personal services.

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

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

**D. Budgetary Process** (continued)

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

**E. Cash and Investments**

Village records identify the purchase of specific investments in specific funds.

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

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

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

During 2006, the Village invested in U.S. Treasury Bills, a money market fund, Freddie Mac, Federal Home Loans, Freddie Mac Discount notes, and Fannie Mae. The U.S. Treasury Bills are reported at cost, The Village's money market fund and U.S. Treasury Bills investment are recorded at the amount reported by Fifth-Third Bank at December 31, 2006.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Accumulated Leave**

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

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

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

**K. Long-Term Obligations**

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

**L. Net Assets**

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

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. Net assets restricted for other purposes include resources restricted for all special revenue accounts.

**M. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.



**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

**N. Interfund Transactions**

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

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

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

The Village had no deficit fund balances at the end of the year prior to outstanding encumbrances. No action is necessary at this time.

**B. Compliance**

The Village had no compliance issues.

**4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budgetary Basis presented for the general fund, street fund, permissive motor vehicle license fund and street maintenance fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

**5. DEPOSITS AND INVESTMENTS**

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

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

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**5. DEPOSITS AND INVESTMENTS** (continued)

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

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

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

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

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

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**5. DEPOSITS AND INVESTMENTS** (continued)

At year end, the Village had no undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

**Deposits**

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

**Investments**

As of December 31, 2006, the Village had the following investments:

	<u>Market Value</u>	<u>Maturity</u>
Money Market Mutual Fund	\$5,496	Average
Freddie Mac	229,702	05/22/08
Freddie Mac Discount Note	430,838	06/29/07
Federal home Loan Bank	512,570	12/12/08
Fannie Mae	364,055	10/03/08
U.S. Treasury Bill	<u>238,893</u>	08/15/07
Total Portfolio	<u><u>\$1,781,554</u></u>	

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U. S. Treasury Bills are exposed to custodial risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirement in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**6. INCOME TAXES**

The Village levies a 1.15 percent income tax whose proceeds are placed into the income tax fund, pool fund, and/or pool debt fund/pool reserve fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the 1.15 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**7. PROPERTY TAX**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2006 represent the collection of 2006 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at carrying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005 on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all general fund operations for the year ended December 31, 2006, was \$54.59 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

	<u>2005</u>
Real Property	
Agriculture	\$2,510
Commercial Land	210,960
Commercial Building	1,355,910
Public Utility Property	
Land	217,820
Building	<u>60,900</u>
Total Assessed Value	<u>\$1,848,100</u>

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**8. RISK MANAGEMENT**

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims after January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$00,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000 in 2006 or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**8. RISK MANAGEMENT** (continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006.

	2007	2006
Assets	\$37,560,071	\$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets	\$20,219,246	\$19,384,290

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

Based on the discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**9. DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contribution, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

VILLAGE OF ADA  
HARDIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

9. **DEFINED BENEFIT PENSION PLANS** (continued)

OPERS provides retirement, disability, and survivor benefits as well as post-retirement healthcare coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-5164.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed percent. The Village's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. The Village has no law enforcement personnel participating in PERS at this time. The Ohio Revised Code provides statutory authority for member and employer contributions.

The full amount for employee and employer contributions has been contributed for 2006.

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

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

Plan members are required to contribute 10 percent of their annual covered salaries to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The full amount for employee and employer contributions has been contributed for 2006.

10. **POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement healthcare coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Healthcare coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for post-retirement healthcare coverage. The healthcare coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement healthcare based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund healthcare.

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**10. POSTEMPLOYMENT BENEFITS** (continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and .63 percent based on additional annual pay increases. Healthcare premiums were assumed to increase between 1 and 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect, 25 percent of unrealized market appreciation of depreciation on investment assets annually.

The number of active contribution participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) was \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will become effective January 1, 2007. The HCPP restructures OPERS's healthcare coverage to improve the financial solvency of the fund in response to increasing healthcare costs.

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

The Ohio Police and Fire Pension Fund (OP&F) provides, postretirement healthcare coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The healthcare coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide healthcare coverage and states that healthcare costs paid from the funds of OP&F shall be included in the employer's contribution rate. Healthcare funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment healthcare program during 2006. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their healthcare coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly healthcare contributions.



**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**11. NOTES PAYABLE**

A summary of the note transactions for the year ended December 31, 2007, follows:

	Interest Rate	Balance December 31, 2006
Ohio Water Development Authority (1989)	2.20%	\$650,296
Ohio Water Development Authority (1996)	7.80%	519,863
Ohio Water Development Authority (2000)	2.20%	1,446,707
Ohio Waterworks Improvement Bonds	6.00%	300,000
General Obligation Note	5.31%	132,000
General Obligation Note	3.93%	279,293
Streetscape Bonds	4.50%	895,000
Total Principal Outstanding		<u>\$4,223,159</u>

The Ohio Water Development Authority (OWDA) loans relate to sewer system expansion projects that were mandated by the Ohio Environmental Protection Agency. The 1989, 1996, and 2000 loans will be repaid in semiannual installments of \$60,153, \$34,850, and \$56,880 including interest, respectively, over 20 years. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover the (OWDA) debt service requirements.

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

A General Obligation Note was issued in 2006 to purchase two lime slackers. The principal will be retired in varying annual amounts (\$8,200-\$16,800) over 10 years.

A General Obligation Note was issued in 2006 to repaint the water tower. The principal will be retired in varying annual amounts (\$20,800-\$36,000) over 9 years.

The Streetscape Bonds were issued in 2004 for streetscape improvements. The principal will be retired in varying annual amounts (\$45,000-\$60,000) over 20 years.

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

Year	Streetscape Bonds	OWDA Loans	Ohio Water Works System	General Obligation Note	General Obligation Note
2007	\$81,125	\$303,766	\$63,000	\$37,113	\$17,537
2008	88,100	303,766	60,300	37,166	17,525
2009	85,850	303,766	62,600	37,075	17,528
2010	88,600	303,766	59,600	37,143	17,498
2011	86,125	303,766	61,600	37,162	17,440
2012-2016	430,625	1,518,830	150,804	185,615	104,828
2017-2021	425,000	92,544			
Total	<u>\$1,285,425</u>	<u>\$3,130,204</u>	<u>\$457,904</u>	<u>\$371,274</u>	<u>\$192,356</u>

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**11. NOTES PAYABLE** (continued)

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$3,881,097 with no unvoted debt margin.

**12. LEASES**

The Village leases vehicles and other equipment under noncancelable leases. The Village disbursed \$63,419 to pay lease costs for the year ended December 31, 2007. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$56,326
2008	56,326
2009	56,326
2010	50,099
2011	35,289
2012	<u>35,289</u>
Total	<u>\$289,655</u>

**13. INTERFUND TRANSFERS**

During 2006 the following transfers were made:

Transfers from the General Fund to:	
General Fund	\$165,499
General Fund	(33,784)
Safety Fund	558,577
Street Fund	187,595
Income Tax Fund	(832,519)
Pool Fund	27,541
Pool Fund	(72,909)
Water Fund	12,986
Water Reserve Fund	<u>(12,986)</u>
Total Transfers	<u>\$0</u>

**VILLAGE OF ADA  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**14. CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

Lima Avenue project will be under construction next year in 2007. However, costs were incurred in 2005 and 2006 for engineering fees to Choice One Engineering of \$105,551. At year end the outstanding balance owed to Choice One was \$16,754 which consists of an outstanding encumbrance.

Knox & Knox conducted an audit for 2004 and 2005 through the State Auditor and had not completed the audit by year end. Thus, Knox & Knox and the State Auditor's expenses were carried forward to 2007.

**15. CONTINGENT LIABILITIES**

Amount grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow, However, based on prior experience, management believes any refunds would be immaterial

**16. RELATED PARTY TRANSACTIONS**

Council person Cathy Cole works at Cole Motor Sales in Ada, Ohio, which her father owns. Cole Motor Sales sells or leases vehicles to the Village and performs necessary maintenance on them. Cathy Cole has abstained from all transactions relating to her business.

**17. SUBSEQUENT EVENTS**

None

# KNOX & KNOX

Accountants and Consultants

## **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Ada  
Hardin County  
115 West Buckeye Street  
Ada, Ohio 45810

To the Village Council:

We have audited the accompanying financial statements of the government activities, the business-type activities each major fund, and the aggregate remaining fund information of the Village of Ada, Hardin County, Ohio, (the Village) as of and for the year ended December 31, 2006 which collectively comprise the Village's financial statements and have issued our report thereon dated September 23, 2008 wherein we noted that the Village prepared its financial statements on the cash basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that a material misstatement will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no matters that we consider to be material weaknesses.

We noted other matters that we reported to the Village Council in a separate letter dated September 23, 2008.

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

*KNOX & KNOX*

Orrville, Ohio  
September 23, 2008





**Mary Taylor, CPA**  
Auditor of State

VILLAGE OF ADA

HARDIN COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 25, 2008