

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006**



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Addyston
235 Main Street
Addyston, Ohio 45001

We have reviewed the *Independent Auditors' Report* of the Village of Addyston, Hamilton County, prepared by Bastin & Company, LLC, for the audit period January 1, 2006 through December 31, 2007. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Addyston is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 2, 2008

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**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of Village Council
Village of Addyston
235 Main Street
Addyston, OH 45001

We have audited the accompanying financial statements of the Village of Addyston, Hamilton County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governmental units to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or their changes in financial position or cash flows, where applicable, for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2008, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
October 23, 2008

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$ 144,073	\$ 139,816	\$ -	\$ -	\$ 283,889
Municipal Income Tax	383,686	-	-	-	383,686
Intergovernmental	64,058	-	-	-	64,058
Charges for Services	43,205	-	-	-	43,205
Licenses, Permits, and Fees	107,019	-	-	-	107,019
Earnings on Investments	12,186	-	-	-	12,186
Miscellaneous	400	-	-	-	400
	<u>754,627</u>	<u>139,816</u>	<u>-</u>	<u>-</u>	<u>894,443</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	265,726	1,761	-	-	267,487
Leisure Time Activities	39,020	-	-	-	39,020
Community Environment	17,280	-	-	-	17,280
Basic Utility Services	25,075	3,973	-	-	29,048
Transportation	184,198	22,891	-	-	207,089
General Government	217,878	62,901	-	-	280,779
Capital Outlay	3,545	-	-	-	3,545
Debt Service:					
Principal Payments	52,203	13,236	25,000	-	90,439
Interest and Fiscal Charges	6,601	3,699	2,956	-	13,256
	<u>811,526</u>	<u>108,461</u>	<u>27,956</u>	<u>-</u>	<u>947,943</u>
Total Cash Disbursements					
Total Receipts Over (Under) Disbursements	<u>(56,899)</u>	<u>31,355</u>	<u>(27,956)</u>	<u>-</u>	<u>(53,500)</u>
Other Financing Receipts (Disbursements):					
Transfers - In	-	-	27,956	-	27,956
Transfers - Out	(27,956)	-	-	-	(27,956)
	<u>(27,956)</u>	<u>-</u>	<u>27,956</u>	<u>-</u>	<u>-</u>
Total Other Financing Receipts (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	<u>(84,855)</u>	<u>31,355</u>	<u>-</u>	<u>-</u>	<u>(53,500)</u>
Fund Cash Balances, January 1	<u>124,975</u>	<u>105,411</u>	<u>-</u>	<u>1,603</u>	<u>231,989</u>
Fund Cash Balances, December 31	<u>\$ 40,120</u>	<u>\$ 136,766</u>	<u>\$ -</u>	<u>\$ 1,603</u>	<u>\$ 178,489</u>
Reserves for Encumbrances, December 31	<u>\$ 10,814</u>	<u>\$ 619</u>	<u>\$ -</u>	<u>\$ 46,135</u>	<u>\$ 57,568</u>

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

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 184,897	\$ -	\$ 184,897
Total Operating Cash Receipts	<u>184,897</u>	<u>-</u>	<u>184,897</u>
Operating Cash Disbursements:			
Personal Services	42,193	-	42,193
Fringe Benefits	5,275	-	5,275
Contractual Services	179,203	-	179,203
Supplies and Materials	20,030	-	20,030
Total Operating Cash Disbursements	<u>246,701</u>	<u>-</u>	<u>246,701</u>
Operating Loss	<u>(61,804)</u>	<u>-</u>	<u>(61,804)</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	64,137	-	64,137
Proceeds From Note	100,000	-	100,000
Other Non-Operating Receipts	-	126,791	126,791
Total Non-Operating Cash Receipts	<u>164,137</u>	<u>126,791</u>	<u>290,928</u>
Non-Operating Cash Disbursements:			
Debt Service-Principal	13,347	-	13,347
Interest and Fiscal Charges	3,785	-	3,785
Capital Outlay	84,271	-	84,271
Other Non-Operating Disbursements	-	129,962	129,962
Total Non-Operating Cash Disbursements	<u>101,403</u>	<u>129,962</u>	<u>231,365</u>
Net Receipts Over (Under) Disbursements	930	(3,171)	(2,241)
Fund Cash Balances, January 1	<u>25,531</u>	<u>13,446</u>	<u>38,977</u>
Fund Cash Balances, December 31	<u>\$ 26,461</u>	<u>\$ 10,275</u>	<u>\$ 36,736</u>
Reserve for Encumbrances, December 31	<u>\$ 760</u>	<u>\$ -</u>	<u>\$ 760</u>

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

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$ 141,659	\$ 106,345	\$ -	\$ -	\$ 248,004
Municipal Income Tax	416,603	-	33,139	-	449,742
Intergovernmental	37,820	-	-	-	37,820
Charges for Services	40,689	-	-	-	40,689
Licenses, Permits, and Fees	127,448	-	-	-	127,448
Earnings on Investments	11,819	1,909	-	-	13,728
Miscellaneous	1,980	-	2,000	-	3,980
	<u>778,018</u>	<u>108,254</u>	<u>35,139</u>	<u>-</u>	<u>921,411</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	272,165	2,047	-	-	274,212
Leisure Time Activities	29,931	-	-	-	29,931
Community Environment	65,104	-	-	-	65,104
Basic Utility Services	24,338	4,769	-	-	29,107
Transportation	160,853	42,246	-	-	203,099
General Government	164,880	70,992	139	-	236,011
Capital Outlay	52,996	-	-	-	52,996
Debt Service:					
Principal Payments	41,669	5,884	103,945	-	151,498
Interest and Fiscal Charges	9,424	4,055	-	-	13,479
	<u>821,360</u>	<u>129,993</u>	<u>104,084</u>	<u>-</u>	<u>1,055,437</u>
Total Cash Disbursements					
Total Receipts Over (Under) Disbursements	<u>(43,342)</u>	<u>(21,739)</u>	<u>(68,945)</u>	<u>-</u>	<u>(134,026)</u>
Other Financing Receipts (Disbursements):					
Proceeds from Sale of Notes	-	-	68,945	-	68,945
Proceeds from Capital Lease	26,808	-	-	-	26,808
	<u>26,808</u>	<u>-</u>	<u>68,945</u>	<u>-</u>	<u>95,753</u>
Total Other Financing Receipts (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	<u>(16,534)</u>	<u>(21,739)</u>	<u>-</u>	<u>-</u>	<u>(38,273)</u>
Fund Cash Balances, January 1	<u>141,509</u>	<u>127,150</u>	<u>-</u>	<u>1,603</u>	<u>270,262</u>
Fund Cash Balances, December 31	<u>\$ 124,975</u>	<u>\$ 105,411</u>	<u>\$ -</u>	<u>\$ 1,603</u>	<u>\$ 231,989</u>
Reserves for Encumbrances, December 31	<u>\$ 27,359</u>	<u>\$ 30,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,380</u>

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

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 121,330	\$ -	\$ 121,330
Total Operating Cash Receipts	<u>121,330</u>	<u>-</u>	<u>121,330</u>
Operating Cash Disbursements:			
Personal Services	18,464	-	18,464
Fringe Benefits	3,370	-	3,370
Contractual Services	122,059	-	122,059
Supplies and Materials	41,008	-	41,008
Total Operating Cash Disbursements	<u>184,901</u>	<u>-</u>	<u>184,901</u>
Operating Loss	<u>(63,571)</u>	<u>-</u>	<u>(63,571)</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	44,872	-	44,872
Intergovernmental Receipts	8,620	-	8,620
Other Non-Operating Receipts	-	157,669	157,669
Total Non-Operating Cash Receipts	<u>53,492</u>	<u>157,669</u>	<u>211,161</u>
Non-Operating Cash Disbursements:			
Debt Service-Principal	12,599	-	12,599
Interest and Fiscal Charges	103	-	103
Capital Outlay	19,671	-	19,671
Other Non-Operating Disbursements	-	155,725	155,725
Total Non-Operating Cash Disbursements	<u>32,373</u>	<u>155,725</u>	<u>188,098</u>
Net Receipts Over (Under) Disbursements	(42,452)	1,944	(40,508)
Fund Cash Balances, January 1	<u>67,983</u>	<u>11,502</u>	<u>79,485</u>
Fund Cash Balances, December 31	<u>\$ 25,531</u>	<u>\$ 13,446</u>	<u>\$ 38,977</u>
Reserve for Encumbrances, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Addyston, Hamilton County, Ohio (the Village), is a body 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. The Village provides water and sewer utilities, street maintenance, and police. The Village contracts with Miami Township to provide emergency medical services and with the Village of Cleves to provide fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Deposits

The Village has interest bearing checking accounts for all deposited funds.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006
(continued)**

Fire Revenue Fund - This fund receives tax levy revenues for the purpose of contract services for fire and EMS services.

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

Bond Retirement Fund - This fund is used to account for the retirement of the Village's bond anticipation note related to the Sekitan Street Project.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

County Road Fund - This fund receives grant proceeds from the Hamilton County Engineer. The proceeds are being used for construction of and changes to Village streets.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Fiduciary Fund:

Mayor's Court - This agency fund receives fines due the Village collected by the Mayor's Court.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006
(continued)**

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006
(continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Deposits:		
Demand deposits	\$215,225	\$270,966
Total deposits	\$215,225	\$270,966

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 771,845	\$ 754,627	\$ (17,218)
Special Revenue	137,920	139,816	1,896
Debt Service	-	27,956	27,956
Capital Projects	44,999	-	(44,999)
Enterprise	356,819	349,034	(7,785)
Total	\$ 1,311,583	\$ 1,271,433	\$ (40,150)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 891,558	\$ 850,296	\$ 41,262
Special Revenue	249,104	109,080	140,024
Debt Service	-	27,956	(27,956)
Capital Projects	46,135	46,135	-
Enterprise	372,777	348,864	23,913
Total	\$ 1,559,574	\$ 1,382,331	\$ 177,243

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006
(continued)**

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 859,382	\$ 804,826	\$ (54,556)
Special Revenue	81,921	108,254	26,333
Debt Service	35,000	104,084	69,084
Enterprise	88,317	174,822	86,505
Total	<u>\$ 1,064,620</u>	<u>\$ 1,191,986</u>	<u>\$ 127,366</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 996,883	\$ 848,719	\$ 148,164
Special Revenue	161,432	160,014	1,418
Debt Service	35,000	104,084	(69,084)
Capital Projects	1,208	-	1,208
Enterprise	157,476	217,274	(59,798)
Total	<u>\$ 1,351,999</u>	<u>\$ 1,330,091</u>	<u>\$ 21,908</u>

4. COMPLIANCE

- Contrary to Ohio Revised Code, Section 5705.39, the Village's total appropriations exceeded the total of estimated resources as follows:

<u>Year</u>	<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2006	Street Construction	\$24,105	\$30,021	(\$5,916)
2006	Permissive Motor	1,498	1,900	(402)
2006	County Road	736	1,136	(400)
2006	Sewer Operating	75,567	77,848	(2,281)
2007	Street Construction	36,355	42,270	(5,915)
2007	Permissive Motor	3,499	3,902	(403)
2007	HCCD Block Grant	45,866	46,135	(269)

- Contrary to Ohio Revised Code, Section 5705.41(B) the Village expended money in excess of amounts appropriated as follows:

<u>Year</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
2006	Street Construction	\$ 30,021	\$41,870	(\$11,849)
2006	State Highway	2,000	2,047	(47)
2006	Bond Retirement	35,000	104,084	(69,084)
2006	Water Operating	79,628	124,080	(44,452)
2006	Sewer Construction	77,848	93,194	(15,346)
2007	Bond Retirement	-	27,956	(27,956)

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006
(continued)**

- Contrary to Ohio Rev. Code, Section 5705.41 (D), 53 percent of the expenditures tested did not contain the appropriate certification for the availability of funds and were not properly encumbered prior to incurring the.

5. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village.

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.

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.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village 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, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
First Street Water Main Improvements - OPWC	\$ 7,496	0.00%
Sekitan Street Water Service Rehabilitation - OPWC	1,436	3.00%
Water System Rehabilitation - OPWC	58,300	0.00%
Water Service Replacements - OPWC	240,564	3.00%
Well Field Water Main Replacement - OPWC	73,093	0.00%
Water Meter Bonds	100,000	5.45%
Total	<u>\$ 480,889</u>	

During 1991, the Village was awarded Ohio Public Works Commission Loan #CT208 in the amount of \$43,051. Proceeds from the loan were used to finance water main improvements. The Village is making

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006
(continued)**

semi-annual payments of \$1,071 with the final payment due July 1, 2011.

During 1993, the Village was awarded Ohio Public Works Commission Loan #CB413 in the amount of \$35,000. Proceeds from the loan were used to finance water service rehabilitation. The Village is making semi-annual payments of \$1,457 with the final payment due July 1, 2008.

During 1999, the Village was awarded Ohio Public Works Commission Loan #CB007 in the amount of \$106,000. Proceeds from the loan were used to finance water service rehabilitation. The Village is making semi-annual payments of \$2,650 with the final payment due January 1, 2019.

During 2003, the Village was awarded Ohio Public Works Commission Loan #CB24E in the amount of \$292,000. Proceeds from the loan were used to finance water service replacements. The Village is making semi-annual payments of \$9,761 with the final payment due July 1, 2023.

During 2005, the Village was awarded Ohio Public Works Commission Loan #CB04E in the amount of \$95,992. Proceeds from the loan were used to finance well field water main replacement. The Village is making semi-annual payments of \$2,150 with the final payment due January 1, 2025.

During 2007, the Village issued a water meter bonds in the amount of \$100,000 at a rate of 5.45%. Proceeds from the bonds were used to finance installation of water meters in the Village. The Village is making annual payments of \$37,031 with the final payment due June 20, 2010.

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

Year ending December 31:	First Street Water Main Improvements OPWC	Sekitan Street Water Service Rehabilitation OPWC	Water System Rehabilitation OPWC	Water Service Replacements OPWC	Well Field Water Main Replacement OPWC	Water Meter Bonds
2008	\$ 2,142	\$ 1,457	\$ 5,300	\$ 19,521	\$ 4,300	\$ 37,031
2009	2,142	-	5,300	19,521	4,300	37,031
2010	2,142	-	5,300	19,521	4,300	37,031
2011	1,070	-	5,300	19,521	4,300	-
2012	-	-	5,300	19,521	4,300	-
2013-2017	-	-	26,500	97,607	21,498	-
2018-2022	-	-	5,300	97,607	21,498	-
2023-2027	-	-	-	9,761	8,597	-
Total	<u>\$ 7,496</u>	<u>\$ 1,457</u>	<u>\$ 58,300</u>	<u>\$ 302,580</u>	<u>\$ 73,093</u>	<u>\$ 111,093</u>

8. NOTES PAYABLE

In July 2005, the Village issued a renewal bond anticipation note for \$103,945 at a rate of 2.63% with a maturity date of July 19, 2006. On July 17, 2006, the Village refunded the note by making a principle payment of \$35,000 and issuing a street improvement bond anticipation renewal note for \$68,945 at a rate of 4.30% with a maturity date of July 16, 2007. The Village retired the \$68,945 note during 2007.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006
(continued)**

9. CAPITAL LEASES

During 2006 the Village entered into a capital lease for police vehicles to finance \$26,808. The balance of the lease outstanding at December 31, 2007 is as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Capital lease-police vehicles	\$ 8,918	8.00%
Total	<u>\$ 8,918</u>	

Amortization of the lease, including interest, is scheduled as follows:

Year ending December 31, 2008	<u>\$ 9,632</u>
Total	<u>\$ 9,632</u>

In addition, during 2006 Village retired the remaining principle balances on three capital leases totaling \$24,372 that were outstanding as of December 31, 2005.

10. TRANSFERS

A transfer out of the General Fund to the Debt Service Fund was made for the retirement of debt.

11. RISK MANAGEMENT

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the member's deductibles.

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

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$2,405,834	\$2,331,284
Liabilities	<u>(2,877,385)</u>	<u>(3,130,475)</u>
Retained deficit	<u>(\$ 471,551)</u>	<u>(\$ 799,191)</u>

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006
(continued)**

12. RETIREMENT SYSTEMS

The Village's police chief belongs to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10 percent of their gross salaries. The Village contributed an amount equal to 19.5 percent of participants' gross salaries.

For 2007 and 2006, OPER's members contributed 9.5 and 9 percent, respectively, of their gross salaries. The Village contributed an amount equal to 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

Bastin & Company, LLC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Members of Village Council
Village of Addyston
142 North Main Street
Addyston, Ohio 45001

We have audited the accompanying financial statements of the Village of Addyston, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 23, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiency described in the accompanying schedule of findings as 2007-01 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

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 grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings as item 2007-02, 2007-03 and 2007-04.

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

We noted certain matters that we have reported to management of the Village in a separate letter dated October 23, 2008.

This report is intended solely for the information and use of, management, and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
October 23, 2008

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDING NUMBER 2007-01

Significant Deficiency/Material Weakness

In May of 2006, the American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*.

SAS No. 112 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the auditor to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. SAS No. 112 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. One of those deficiencies, applicable to the Village relates to audit adjustments. The following adjustments were made as a result of audit:

The Village utilizes the UAN accounting system to process, record and report its activities. The resulting UAN information was provided as a basis for the audit. As a result, the following adjustments to data recorded by the Village within the UAN accounting system represent audit adjustments that were necessary to properly state the Village's financial statements.

Adjustments for Unclassified Transaction – Audit adjustments were necessary to properly record receipt and disbursement transactions that had been posted to the Village's UAN accounting system to the beginning of the year fund cash balances instead of appropriate revenue and expenditure accounts. For 2006, a net of \$15,302 of revenue transactions and a net of \$6,422 of expenditure transactions were improperly recorded to fund cash balances as of January 1, 2006 instead of revenue and expenditure accounts. For 2007, a net of \$2,958 of revenue transactions and a net of \$13,966 of expenditure transactions were improperly recorded to fund cash balances as of January 1, 2007 instead of revenue and expenditure accounts. Adjustments were required to properly state revenues and expenses by year that in turn allowed fund cash balances to flow forward from year to year.

Unrecorded Prior Audit Adjustments – Audit adjustments as a result of prior audits were not properly recorded in the Village's accounting system. Although prior adjustments were reported to management in prior years, no action has been taken by the Village as of December 31, 2007. Therefore adjustments to the Village's records were required to properly report beginning fund cash balances. The adjustments needed to properly reflect cash balances in the UAN by individual fund, system as of December 31, 2007, are as follows:

<u>Fund</u>	<u>Adjustment Needed</u>
General Fund	\$ 5,263
Street Construction Fund	(5,895)
State Highway	545
Permissive Motor Vehicle Tax Fund	(402)
HCCD Block Grant Fund	795
County Road Fund	(400)
Water Operating Fund	2,299
Sewer Operating Fund	(2,205)

Debt Proceeds – Audit adjustments were necessary to properly classify proceeds from debt. For 2006, the Village did not record \$26,808 of proceeds or capital expenditures related to a capital lease in the General Fund. In addition, \$33,139 of tax revenues were recorded as proceeds from bonds in the Debt Service Fund. For 2007, \$100,000 of bond proceeds were recorded as special assessment revenue.

Debt Payments - Audit adjustments were necessary to properly classify the retirement of debt principle and interest. For 2006 and 2007, approximately \$73,000 and \$71,000 of debt principle and interest payments were reclassified from general government expenditures in governmental funds or contractual services in enterprise funds.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the Village implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Village’s Response

The Village will attempt to more closely monitor the recording of transactions in the future.

FINDING NUMBER 2007-02

Noncompliance Citation

Ohio Revised Code, Section 5705.41 (B), states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. The following funds had expenditures that exceeded appropriations:

<u>Year</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
2006	Street Construction	\$ 30,021	\$41,870	(\$11,849)
2006	State Highway	2,000	2,047	(47)
2006	Bond Retirement	35,000	104,084	(69,084)
2006	Water Operating	79,628	124,080	(44,452)
2006	Sewer Construction	77,848	93,194	(15,346)
2007	Bond Retirement	-	27,956	(27,956)

Village’s Response

The Village concurs with the citation and will attempt to monitor budgetary data more closely in the future.

FINDING NUMBER 2007-03

Noncompliance Citation

Ohio Revised Code Section 5705.39 prohibits appropriations in excess of estimated resources. The following funds had appropriations that exceeded estimated resources:

<u>Year</u>	<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2006	Street Construction	\$24,105	\$30,021	(\$5,916)
2006	Permissive Motor	1,498	1,900	(402)
2006	County Road	736	1,136	(400)
2006	Sewer Operating	75,567	77,848	(2,281)
2007	Street Construction	36,355	42,270	(5,915)
2007	Permissive Motor	3,499	3,902	(403)
2007	HCCD Block Grant	45,866	46,135	(269)

Village's Response

The Village concurs with the citation and will attempt to monitor budgetary data more closely in the future.

FINDING NUMBER 2007-04

Noncompliance Citation

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

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

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. 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 operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified prior to the time of commitment in 53% of expenditures tested in 2006 and 2007 (32 of 60), nor did the Village use the aforementioned exceptions. Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

Village's Response

The Village concurs with the citation and will attempt to ensure certifications are properly performed in the future.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation
2005-001	ORC section 5705.41(B), expenditures in excess of appropriations.	No	Not corrected, reissued as finding 2007-02.
2005-002	ORC section 5705.39 appropriations in excess of estimated resources.	No	Not corrected, reissued as finding 2007-03.
2005-003	ORC section 5705.10 deficit cash balance.	Yes	The Village implemented improvements during the audit period.



Mary Taylor, CPA
Auditor of State

VILLAGE OF ADDYSTON

HAMILTON 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
DECEMBER 16, 2008**