

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**



Dave Yost • Auditor of State

Village 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, 2008 through December 31, 2009. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery Repaid Under Audit

On May 1, 2001, the Village of Addyston adopted Ordinance No. 2001-12 authorizing the Village of Addyston to pick up the statutorily required contribution to the Public Employees Retirement System of Ohio for the employees of the Village pursuant to I.R.C. Section 414 (H)(2). The ordinance in part states that effective May 20, 2001, the full amount of the statutorily required contributions to the Public Employees Retirement System of Ohio shall be withheld from the gross pay of all persons who are employees of the Village of Addyston who are or becoming contributing members of the Public Employees Retirement System of Ohio and shall be "picked up" (assumed paid to the Public Employees Retirement System of Ohio) by the Village of Addyston.

An employee's cash salary shall be equal to that employee's total salary less the amount of the pick-up for that employee and shall be payable, subject to applicable payroll deductions, to that employee. The total combined expenditures of the Village for such employees' total salaries payable under applicable Village policies and the pick-up provisions of this ordinance shall not be greater than the amount it would have paid for those items had this provision not been in effect.

On December 11, 2006, the Village of Addyston adopted Ordinance No. 2006-20 which in part states that effective January 1, 2007, the salary for the Mayor of the Village of Addyston shall be \$8,400 annually.

During 2008, the Village paid employees their total salary plus the amount of the pick-up rather than their total salary less the amount of the pick-up. This was due to coding errors that were made within the payroll system. Therefore, Daniel Pillow, Mayor, was paid \$9,900 resulting in an overpayment of \$1,500. \$900 of the overpayment was due to the related pick-up amount overpaid and \$600 was due to the overpayment in the Mayor's salary.

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490

www.auditor.state.oh.us

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Daniel Pillow, Mayor, in the amount of \$1,500, and in favor of the Village of Addyston General Fund.

Upon notification during the current audit of this error in the payroll system, the Village came up with a repayment plan for these overpayments. On December 6, 2010 the Village adopted Resolution No. 2010-04 authorizing the Village Clerk to make twelve equal deductions from the monthly compensation of elected officials who were overpaid in 2008. Thus beginning May 13, 2011, amounts were withheld from Mr. Pillow's paycheck to make repayments of these amounts. As of June 3, 2011 a total of \$75 was repaid to the Village via payroll deductions leaving an unpaid balance of \$1,425.

On August 1, 2011, the Village of Addyston was repaid \$1,425 (Receipt #348-2011), which was deposited (Deposit Ticket #4757) by the Village and receipted to the General Fund for repayment of this finding.

Finding for Recovery Repaid Under Audit

On May 1, 2001, the Village of Addyston adopted Ordinance No. 2001-12 authorizing the Village of Addyston to pick up the statutorily required contribution to the Public Employees Retirement System of Ohio for the employees of the Village pursuant to I.R.C. Section 414 (H)(2). The ordinance in part states that effective May 20, 2001, the full amount of the statutorily required contributions to the Public Employees Retirement System of Ohio shall be withheld from the gross pay of all persons who are employees of the Village of Addyston who are or becoming contributing members of the Public Employees Retirement System of Ohio and shall be "picked up" (assumed paid to the Public Employees Retirement System of Ohio) by the Village of Addyston.

An employee's cash salary shall be equal to that employee's total salary less the amount of the pick-up for that employee and shall be payable, subject to applicable payroll deductions, to that employee. The total combined expenditures of the Village for such employees' total salaries payable under applicable Village policies and the pick-up provisions of this ordinance shall not be greater than the amount it would have paid for those items had this provision not been in effect.

On December 11, 2006, the Village of Addyston adopted Ordinance No. 2006-20 which in part states that effective January 1, 2007, the salary for a Council Member of the Village of Addyston shall be \$3,000 annually.

During 2008, the Village paid employees their total salary plus the amount of the pick-up rather than their total salary less the amount of the pick-up per Ordinance No. 2001-12. This was due to coding errors that were made within the payroll system. Therefore, Daniel Dalton, former Council Member, was paid \$3,300 resulting in an overpayment of \$300.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Daniel Dalton, former Council Member, in the amount of \$300 and in favor of the Village of Addyston General Fund.

On August 1, 2011, the Village of Addyston was repaid \$300 (Receipt #349-2011), which was deposited (Deposit Ticket #4758) by the Village and receipted to the General Fund for repayment of this finding.

Finding for Recovery Repaid Under Audit

On May 1, 2001, the Village of Addyston adopted Ordinance No. 2001-12 authorizing the Village of Addyston to pick up the statutorily required contribution to the Public Employees Retirement System of Ohio for the employees of the Village pursuant to I.R.C. Section 414 (H)(2). The ordinance in part states that effective May 20, 2001, the full amount of the statutorily required contributions to the Public Employees Retirement System of Ohio shall be withheld from the gross pay of all persons who are employees of the Village of Addyston who are or becoming contributing members of the Public Employees Retirement System of Ohio and shall be “picked up” (assumed paid to the Public Employees Retirement System of Ohio) by the Village of Addyston.

An employee’s cash salary shall be equal to that employee’s total salary less the amount of the pick-up for that employee and shall be payable, subject to applicable payroll deductions, to that employee. The total combined expenditures of the Village for such employees’ total salaries payable under applicable Village policies and the pick-up provisions of this ordinance shall not be greater than the amount it would have paid for those items had this provision not been in effect.

On December 11, 2006, the Village of Addyston adopted Ordinance No. 2006-20 which in part states that effective January 1, 2007, the salary for a Council Member of the Village of Addyston shall be \$3,000 annually.

During 2008, the Village paid employees their total salary plus the amount of the pick-up rather than their total salary less the amount of the pick-up per Ordinance No. 2001-12. This was due to coding errors that were made within the payroll system. Therefore, James Fry, Council Member, was paid \$3,300 resulting in an overpayment of \$300.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against James Fry, Council Member, in the amount of \$300 and in favor of the Village of Addyston General Fund.

Upon notification during the current audit of this error in the payroll system, the Village came up with a repayment plan for these overpayments. On December 6, 2010, the Village adopted Resolution No. 2010-04 authorizing the Village Clerk to make twelve equal deductions from the monthly compensation of elected officials who were overpaid in 2008. Thus beginning May 13, 2011, amounts were withheld from Mr. Fry's paycheck to make repayments of these amounts. As of June 3, 2011, a total of \$25 was repaid to the Village via payroll deductions leaving an unpaid balance of \$275.

On August 1, 2011, the Village of Addyston was repaid \$275 (Receipt #350-2011), which was deposited (Deposit Ticket #4759) by the Village and receipted to the General Fund for repayment of this finding.

Finding for Recovery Repaid Under Audit

On May 1, 2001, the Village of Addyston adopted Ordinance No. 2001-12 authorizing the Village of Addyston to pick up the statutorily required contribution to the Public Employees Retirement System of Ohio for the employees of the Village pursuant to I.R.C. Section 414 (H)(2). The ordinance in part states that effective May 20, 2001, the full amount of the statutorily required contributions to the Public Employees Retirement System of Ohio shall be withheld from the gross pay of all persons who are employees of the Village of Addyston who are or becoming contributing members of the Public Employees Retirement System of Ohio and shall be "picked up" (assumed paid to the Public Employees Retirement System of Ohio) by the Village of Addyston.

An employee's cash salary shall be equal to that employee's total salary less the amount of the pick-up for that employee and shall be payable, subject to applicable payroll deductions, to that employee. The total combined expenditures of the Village for such employees' total salaries payable under applicable Village policies and the pick-up provisions of this ordinance shall not be greater than the amount it would have paid for those items had this provision not been in effect.

On December 11, 2006, the Village of Addyston adopted Ordinance No. 2006-20 which in part states that effective January 1, 2007, the salary for a Council Member of the Village of Addyston shall be \$3,000 annually.

During 2008, the Village paid employees their total salary plus the amount of the pick-up rather than their total salary less the amount of the pick-up per Ordinance No. 2001-12. This was due to coding errors that were made within the payroll system. Therefore, Pamela Jackson, former Council Member, was paid \$3,300 resulting in an overpayment of \$300.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Pamela Jackson, former Council Member, in the amount of \$300 and in favor of the Village of Addyston General Fund.

On August 1, 2011, the Village of Addyston was repaid \$300 (Receipt #351-2011), which was deposited (Deposit Ticket #4760) by the Village and receipted to the General Fund for repayment of this finding.

Finding for Recovery Repaid Under Audit

On May 1, 2001, the Village of Addyston adopted Ordinance No. 2001-12 authorizing the Village of Addyston to pick up the statutorily required contribution to the Public Employees Retirement System of Ohio for the employees of the Village pursuant to I.R.C. Section 414 (H)(2). The ordinance in part states that effective May 20, 2001, the full amount of the statutorily required contributions to the Public Employees Retirement System of Ohio shall be withheld from the gross pay of all persons who are employees of the Village of Addyston who are or becoming contributing members of the Public Employees Retirement System of Ohio and shall be “picked up” (assumed paid to the Public Employees Retirement System of Ohio) by the Village of Addyston.

An employee’s cash salary shall be equal to that employee’s total salary less the amount of the pick-up for that employee and shall be payable, subject to applicable payroll deductions, to that employee. The total combined expenditures of the Village for such employees’ total salaries payable under applicable Village policies and the pick-up provisions of this ordinance shall not be greater than the amount it would have paid for those items had this provision not been in effect.

On December 11, 2006, the Village of Addyston adopted Ordinance No. 2006-20 which in part states that effective January 1, 2007, the salary for a Council Member of the Village of Addyston shall be \$3,000 annually.

During 2008, the Village paid employees their total salary plus the amount of the pick-up rather than their total salary less the amount of the pick-up per Ordinance No. 2001-12. This was due to coding errors that were made within the payroll system. Therefore, Karen O’Connor, former Council Member, was paid \$3,300 resulting in an overpayment of \$300.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Karen O'Connor, former Council Member, in the amount of \$300 and in favor of the Village of Addyston General Fund.

On August 1, 2011, the Village of Addyston was repaid \$300 (Receipt #352-2011), which was deposited (Deposit Ticket #4761) by the Village and receipted to the General Fund for repayment of this finding.

Finding for Recovery Repaid Under Audit

On May 1, 2001, the Village of Addyston adopted Ordinance No. 2001-12 authorizing the Village of Addyston to pick up the statutorily required contribution to the Public Employees Retirement System of Ohio for the employees of the Village pursuant to I.R.C. Section 414 (H)(2). The ordinance in part states that effective May 20, 2001, the full amount of the statutorily required contributions to the Public Employees Retirement System of Ohio shall be withheld from the gross pay of all persons who are employees of the Village of Addyston who are or becoming contributing members of the Public Employees Retirement System of Ohio and shall be "picked up" (assumed paid to the Public Employees Retirement System of Ohio) by the Village of Addyston.

An employee's cash salary shall be equal to that employee's total salary less the amount of the pick-up for that employee and shall be payable, subject to applicable payroll deductions, to that employee. The total combined expenditures of the Village for such employees' total salaries payable under applicable Village policies and the pick-up provisions of this ordinance shall not be greater than the amount it would have paid for those items had this provision not been in effect.

On January 1, 2008 the Village of Addyston adopted Ordinance No. 2008-01 which in part states that effective January 1, 2007 the salary for the Village Solicitor of the Village of Addyston shall be \$17,400 annually.

During 2008, the Village paid employees their total salary plus the amount of the pick-up rather than their total salary less the amount of the pick-up. This was due to coding errors that were made within the payroll system. Therefore, Robert G. Kelly, Village Solicitor was paid \$19,140 resulting in an overpayment of \$1,740.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Robert G. Kelly, Village Solicitor, in the amount of \$1,740, and in favor of the Village of Addyston General fund.

Upon notification during the current audit of this error in the payroll system, the Village came up with a repayment plan for these overpayments. On December 6, 2010 the Village adopted Resolution No. 2010-04 authorizing the Village Clerk to make twelve equal deductions from the monthly compensation of elected officials who were overpaid in 2008. Thus beginning May 13, 2011, amounts were withheld from Mr. Kelly's paycheck to make repayments of these amounts. As of June 3, 2011 a total of \$145 was repaid to the Village via payroll deductions leaving an unpaid balance of \$1,595.

On August 1, 2011, the Village of Addyston was repaid \$1,595 (Receipt #353-2011), which was deposited (Deposit Ticket #4762) by the Village and receipted to the General Fund for repayment of this finding.

Finding for Recovery Repaid Under Audit

On May 1, 2001, the Village of Addyston adopted Ordinance No. 2001-12 authorizing the Village of Addyston to pick up the statutorily required contribution to the Public Employees Retirement System of Ohio for the employees of the Village pursuant to I.R.C. Section 414 (H)(2). The ordinance in part states that effective May 20, 2001, the full amount of the statutorily required contributions to the Public Employees Retirement System of Ohio shall be withheld from the gross pay of all persons who are employees of the Village of Addyston who are or becoming contributing members of the Public Employees Retirement System of Ohio and shall be "picked up" (assumed paid to the Public Employees Retirement System of Ohio) by the Village of Addyston.

An employee's cash salary shall be equal to that employee's total salary less the amount of the pick-up for that employee and shall be payable, subject to applicable payroll deductions, to that employee. The total combined expenditures of the Village for such employees' total salaries payable under applicable Village policies and the pick-up provisions of this ordinance shall not be greater than the amount it would have paid for those items had this provision not been in effect.

On May 19, 2008, the Village of Addyston adopted Ordinance No. 2008-08 which in part states that effective back to January 1, 2008 the current rate of pay for the Village Clerk shall be \$1,141.95 per month. Therefore, during 2008 the Village Clerk's approved annual salary was \$13,703.40 (\$1,141.95 x 12 months).

On August 16, 2006, the Addyston Board of Public Affairs adopted a motion to enter into a contract with the Village Clerk to serve as the Water Board Clerk for a two-year period at the same monthly salary as the former Water Board Clerk. On March 4, 2002 the Addyston Board of Affairs adopted an ordinance setting the compensation of the Board of Public Affairs Clerk at \$587 per month. Therefore, during 2008 the Board of Public Affairs Clerk approved annual salary was \$7,044 (\$587 x 12 months).

During 2008, the Village paid employees their total salary plus the amount of the pick-up rather than their total salary less the amount of the pick-up. This was due to coding errors that were made within the payroll system. Additionally, Margaret Dozier was overpaid an additional \$110 in Board of Public Affairs Clerk salary. Therefore, Margaret Dozier, Village Clerk was paid \$15,073.76 from the General Fund, for her duties as the Village Clerk, resulting in an overpayment of \$1,370.36. In addition, Ms. Dozier was paid \$7,869.40, from the Village's Water Operating Fund, as the Board of Public Affairs Clerk resulting in an overpayment of 825.40.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Margaret Dozier in the amount of \$2,195, and in favor of the Village of Addyston General fund for \$1,370, and the Water Operating fund for \$825.

The Village came up with a repayment plan for the finding upon notification of the overpaid amounts. On December 6, 2010 the Village adopted Resolution No. 2010-04 authorizing the Village Clerk to make twelve equal deductions from the monthly compensation of elected officials who were overpaid in 2008. Thus beginning May 13, 2011, amounts were withheld from Ms. Dozier's paycheck to make repayments of these amounts. As of June 3, 2011 a total of \$175 was repaid to the Village's General fund via payroll deductions leaving a total unpaid balance of \$2,020, \$1,195 due the Village's General fund and \$825 due the Water Operating Fund.

On August 1, 2011, two payments were made to the Village of Addyston, \$1,195 (Receipt #354-2011), which was deposited (Deposit Ticket #4763) by the Village and receipted to the General Fund; and \$825 (Receipt #355-2011), which was deposited (Deposit Ticket #4764) by the Village and receipted to the Water Operating Fund, for repayment of this finding.

Client Response: No response was received by the Village.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

January 6, 2012

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2009.....	3
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, 2009.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2008.....	5
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, 2008.....	6
Notes to the Financial Statements.....	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16
Schedule of Findings.....	18
Schedule of Prior Audit Findings	23

Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of Village Council
Village of Addyston, Ohio

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, 2009 and 2008. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. 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 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, 2009 and 2008 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, 2009 and 2008, or its 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, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 November 15, 2011, 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.

Bastin & Company, LLC

Cincinnati, Ohio
November 15, 2011

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<i>Cash Receipts:</i>				
Local Taxes	\$ 159,880	\$ 97,146	\$ -	\$ 257,026
Municipal Income Tax	385,520	-	-	385,520
Intergovernmental	52,653	31,294	112,500	196,447
Charges for Services	37,460	-	-	37,460
Licenses, Permits, and Fees	97,851	6,270	-	104,121
Earnings on Investments	478	-	-	478
Miscellaneous	115	-	-	115
Total Cash Receipts	733,957	134,710	112,500	981,167
<i>Cash Disbursements:</i>				
Current:				
General Government	225,096	68,597	-	293,693
Security of Persons and Property	284,589	2,917	-	287,506
Leisure Time Activities	22,083	-	-	22,083
Community Environment	14,179	-	-	14,179
Basic Utility Services	25,917	6,570	-	32,487
Transportation	104,542	26,265	-	130,807
Capital Outlay	3,622	-	36,380	40,002
Debt Service:				
Principal Payments	8,493	21,877	-	30,370
Interest and Fiscal Charges	1,865	5,258	-	7,123
Total Cash Disbursements	690,386	131,484	36,380	858,250
Total Receipts Over (Under) Disbursements	43,571	3,226	76,120	122,917
Fund Cash Balances, January 1	63,114	105,396	467	168,977
Fund Cash Balances, December 31	<u>\$ 106,685</u>	<u>\$ 108,622</u>	<u>\$ 76,587</u>	<u>\$ 291,894</u>
Reserves for Encumbrances, December 31	<u>\$ 53,628</u>	<u>\$ 4,044</u>	<u>\$ -</u>	<u>\$ 57,672</u>

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

**VILLAGE OF ADDYSTON
ADAMS COUNTY, OHIO
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, 2009**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 240,536	\$ -	\$ 240,536
Total Operating Cash Receipts	240,536	-	240,536
<i>Operating Cash Disbursements:</i>			
Personal Services	48,237	-	48,237
Fringe Benefits	5,319	-	5,319
Contractual Services	168,774	-	168,774
Supplies and Materials	17,849	-	17,849
Total Operating Cash Disbursements	240,179	-	240,179
Operating Income	357	-	357
<i>Non-Operating Cash Receipts:</i>			
Property Tax and Other Local Taxes	53,149	-	53,149
Other Non-Operating Receipts	-	128,122	128,122
Total Non-Operating Cash Receipts	53,149	128,122	181,271
<i>Non-Operating Cash Disbursements:</i>			
Debt Service-Principal	37,870	-	37,870
Interest and Fiscal Charges	3,516	-	3,516
Capital Outlay	10,901	-	10,901
Other Non-Operating Disbursements	-	126,524	126,524
Total Non-Operating Cash Disbursements	52,287	126,524	178,811
Net Receipts Over (Under) Disbursements	1,219	1,598	2,817
Fund Cash Balances, January 1	36,493	12,074	48,567
Fund Cash Balances, December 31	\$ 37,712	\$ 13,672	\$ 51,384
Reserves for Encumbrances, December 31	\$ 5,062	\$ -	\$ 5,062

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

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<i>Cash Receipts:</i>				
Local Taxes	\$ 136,198	\$ 98,776	\$ -	\$ 234,974
Municipal Income Tax	429,345	-	-	429,345
Intergovernmental	45,403	1,342	-	46,745
Charges for Services	40,978	-	-	40,978
Licenses, Permits, and Fees	102,215	4,820	-	107,035
Earnings on Investments	2,391	-	-	2,391
Miscellaneous	721	-	-	721
Total Cash Receipts	757,251	104,938	-	862,189
<i>Cash Disbursements:</i>				
Current:				
General Government	199,561	77,040	-	276,601
Security of Persons and Property	285,499	2,068	-	287,567
Leisure Time Activities	40,037	-	-	40,037
Community Environment	18,184	-	-	18,184
Basic Utility Services	24,146	2,914	-	27,060
Transportation	154,317	37,197	-	191,514
Capital Outlay	58,299	-	1,136	59,435
Debt Service:				
Principal Payments	8,920	13,459	-	22,379
Interest and Fiscal Charges	719	3,630	-	4,349
Total Cash Disbursements	789,682	136,308	1,136	927,126
Total Receipts Over (Under) Disbursements	(32,431)	(31,370)	(1,136)	(64,937)
<i>Other Financing Receipts (Disbursements):</i>				
Proceeds from Capital Lease	55,425	-	-	55,425
Total Other Financing Receipts (Disbursements)	55,425	-	-	55,425
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	22,994	(31,370)	(1,136)	(9,512)
Fund Cash Balances, January 1	40,120	136,766	1,603	178,489
Fund Cash Balances, December 31	\$ 63,114	\$ 105,396	\$ 467	\$ 168,977
Reserves for Encumbrances, December 31	\$ 14,580	\$ 246	\$ -	\$ 14,826

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

**VILLAGE OF ADDYSTON
ADAMS COUNTY, OHIO
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, 2008**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 242,884	\$ -	\$ 242,884
Total Operating Cash Receipts	<u>242,884</u>	<u>-</u>	<u>242,884</u>
<i>Operating Cash Disbursements:</i>			
Personal Services	42,773	-	42,773
Fringe Benefits	7,101	-	7,101
Contractual Services	166,648	-	166,648
Supplies and Materials	23,784	-	23,784
Total Operating Cash Disbursements	<u>240,306</u>	<u>-</u>	<u>240,306</u>
Operating Income	<u>2,578</u>	<u>-</u>	<u>2,578</u>
<i>Non-Operating Cash Receipts:</i>			
Property Tax and Other Local Taxes	42,725	-	42,725
Other Non-Operating Receipts	-	131,954	131,954
Total Non-Operating Cash Receipts	<u>42,725</u>	<u>131,954</u>	<u>174,679</u>
<i>Non-Operating Cash Disbursements:</i>			
Debt Service-Principal	31,581	-	31,581
Capital Outlay	3,690	-	3,690
Other Non-Operating Disbursements	-	130,155	130,155
Total Non-Operating Cash Disbursements	<u>35,271</u>	<u>130,155</u>	<u>165,426</u>
Net Receipts Over (Under) Disbursements	10,032	1,799	11,831
Fund Cash Balances, January 1	<u>26,461</u>	<u>10,275</u>	<u>36,736</u>
Fund Cash Balances, December 31	<u>\$ 36,493</u>	<u>\$ 12,074</u>	<u>\$ 48,567</u>
Reserves for Encumbrances, December 31	<u>\$ 1,241</u>	<u>\$ -</u>	<u>\$ 1,241</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, 2009 and 2008**

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 except for those maintained by the Mayor's Court.

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, 2009 and 2008
(continued)**

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

3. 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:

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

4. 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.

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.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008
(continued)**

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 2009 and 2008 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.

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:

	2009	2008
Deposits:		
Demand deposits	\$343,278	\$217,544
Total deposits	\$343,278	\$217,544

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

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008
(continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$ 789,872	\$ 733,957	\$ (55,915)
Special Revenue	95,300	134,710	39,410
Capital Projects	432,000	112,500	(319,500)
Enterprise	407,848	293,685	(114,163)
Total	\$ 1,725,020	\$ 1,274,852	\$ (450,168)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$ 856,458	\$ 744,014	\$ 112,444
Special Revenue	172,783	135,528	37,255
Capital Projects	432,072	36,380	395,692
Enterprise	440,189	297,528	142,661
Total	\$ 1,901,502	\$ 1,213,450	\$ 688,052

2008 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$ 899,534	\$ 812,676	\$ (86,858)
Special Revenue	112,800	104,938	(7,862)
Enterprise	270,000	285,609	15,609
Total	\$ 1,282,334	\$ 1,203,223	\$ (79,111)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$ 896,239	\$ 804,262	\$ 91,977
Special Revenue	243,272	136,554	106,718
Capital Projects	47,002	1,136	45,866
Enterprise	291,760	276,818	14,942
Total	\$ 1,478,273	\$ 1,218,770	\$ 259,503

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008
(continued)**

4. COMPLIANCE

- Contrary to Village Ordinance No. 2001-12, costs associated with the Village's salary reduction pick-up plan exceeded authorized amounts.
- Contrary to Ohio Revised Code, Section 5705.39, the Village's total appropriations exceeded the total of estimated resources in 5 funds for 2009 and 4 funds for 2008.
- Contrary to Ohio Revised Code, Section 5705.41(B), the Village expended money in excess of amounts appropriated in 2 funds for 2009 and 2 funds for 2008.
- Contrary to Ohio Revised Code, Section 5705.36(A)(4), the Village's actual resources were less than the amounts appropriated in 7 funds for 2009 and 3 funds for 2008.
- Contrary to Ohio Rev. Code, Section 5705.41(D), 66 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 expenditure.

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.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008
(continued)**

7. DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
First Street Water Main Improvements - OPWC	\$ 4,283	0.00%
Water System Rehabilitation - OPWC	50,350	0.00%
Water Service Replacements - OPWC	221,829	3.00%
Well Field Water Main Replacement - OPWC	66,644	0.00%
Water Meter Bonds	35,117	5.45%
Total	<u>\$378,223</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 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. This loan was retired on 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 #CT04E in the amount of \$85,992. Proceeds from the loan were used to finance a 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 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.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008
(continued)**

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

Year ending December 31:	First Street	Water System Rehabilitation OPWC	Water Service Replacements OPWC	Well Field	Water Meter Bonds
	Water Main Improvements OPWC			Water Main Replacement OPWC	
2010	\$ 2,142	\$ 5,300	\$ 19,521	\$ 4,300	\$ 37,031
2011	2,141	5,300	19,521	4,300	-
2012	-	5,300	19,521	4,300	-
2013	-	5,300	19,521	4,300	-
2014	-	5,300	19,521	4,300	-
2015-2019	-	23,850	97,607	21,498	-
2020-2024	-	-	78,086	21,498	-
2025	-	-	-	2,148	-
Total	<u>\$ 4,283</u>	<u>\$ 50,350</u>	<u>\$ 273,298</u>	<u>\$ 66,644</u>	<u>\$ 37,031</u>

8. CAPITAL LEASES

During 2008 the Village entered into a capital lease for two trucks in the amount of \$55,425. Amortization of the lease, including interest, is scheduled as follows:

Year ending December 31,	Amount
2010	\$ 13,214
2011	13,214
2012	13,214
2013	12,113
Total minimum lease payments	51,755
Less: amount representing interest	(6,946)
Present value of future minimum lease payments	<u>\$ 44,809</u>

9. RISK MANAGEMENT

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

The Village 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008
(continued)**

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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.

Financial Position

PEP's financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	2009	2008
Assets	\$36,374,898	\$35,769,535
Liabilities	(15,256,862)	(15,310,206)
Net Assets	\$21,118,036	\$20,459,329

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$19,000.

Based on 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.

<u>Contributions to PEP</u>	
2008	\$18,418
2009	20,174

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide 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 contribution. Withdrawing members have no other future obligation to PEP. 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.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008
(continued)**

10. 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 2009 and 2008, 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 2009 and 2008, OPER's members contributed 10.0 percent of their gross salaries. The Village contributed an amount equal to 14.0 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

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, Ohio

We have audited the financial statements of the Village of Addyston, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated November 15, 2011, wherein we noted that 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weaknesses.

A deficiency in internal control 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider findings 2009-01 and 2009-02 described in the accompanying schedule of findings to be material weaknesses.

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 that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2009-01 and 2009-03 through 2009-06.

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.

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.

Bastin & Company, LLC

Cincinnati, Ohio
November 15, 2011

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDING NUMBER 2009-01

Noncompliance Citation and Material Weakness

Audit procedures identified weaknesses in the payroll system that prevented the detection of errors in the processing of payroll transactions. The errors have resulted in payments contrary with established policies of the Village and overpayments to employees and elected officials.

On May 1, 2001, the Village adopted Ordinance No. 2001-12 to authorize the Village to adopt a “salary reduction pick-up plan” for the statutorily required contribution to the Public Employees Retirement System of Ohio (PERS) for employees pursuant of I.R.C. Section 414 (H)(2). The effect of the plan is to defer an employee’s taxable income by reducing an employee’s gross payroll while the Village pays for the employee’s and employer’s portion of PERS contributions.

Section 4 of Ordinance No. 2001-12 states, “The total combined expenditures of the Village for such employees’ total salaries payable under applicable Village policies and the pick-up provisions of this ordinance shall not be greater that the amount it would have paid for those items had this provision not been in effect.”

During 2008 and 2009 coding errors were made within the payroll system that eliminated the reduction to gross payroll amounts for both non-elected employees and elected officials, while amounts to be “picked-up” by the Village continued to be contributed by the Village. These errors resulted in non-elected employees and elected officials to be overcompensated by the payment of higher gross payrolls than those that should have been paid under the provisions of the salary reduction pick-up plan. As a result, additional costs were incurred by the Village contrary to Section 4 of Ordinance No. 2001-12.

Upon notifying Village personnel of the condition, and in consultation with the Village’s legal counsel, the Village has fully corrected for amounts that were overpaid. For amounts applicable to non-elected employees, Village Council adopted Ordinance No. 2010-12 dated September 30, 2010, that retroactively approved the total amount of salaries paid, including amounts paid related to the salary pick-up plan. For amounts applicable to elected officials, full reimbursement has been made to the Village as of August 1, 2011.

These conditions demonstrate non-compliance with Village Ordinances and a lack of control over the processing of the Village’s payroll system to allow for the detection and correction of misstatements, on a timely basis. We recommend that the Village implement control procedures to ensure that payroll is processed correctly.

Village’s Response

As stated, as of August 1, 2011, the Village has resolved all overpayment issues. The Village will implement review procedures to ensure that payroll is properly computed.

FINDING NUMBER 2009-02

Material Weakness

We identified misstatements in the financial statements for the years under audit that were not initially identified by the Village's internal control. Audit adjustments were necessary to correct errors in the Village's financial statements. The material adjustments made are as follows:

Adjustments to Fund Balances – Audit adjustments for prior years were posted to the December 31, 2007 accounting records in order for the accounting records to equal prior audited balances. During 2008, those audit adjustments were reversed in error. In addition, during 2008 and 2009 additional entries were posted to fund balances instead of properly recording the transactions to receipt or expenditure accounts. As a result adjustments were needed to properly reflect fund cash balances and activities. The cumulative affect to the accounting records for these adjustments, by individual fund, as of December 31, 2009, is as follows:

<u>Fund</u>	<u>Adjustment</u>
General Fund	\$(3,473)
Street Construction Fund	(5,697)
State Highway	2,029
Permissive Motor Vehicle Tax Fund	(233)
Enforcement & Education	540
Fire Revenue	2,325
HCCD Block Grant	795
County Road Fund	(400)
Water Operating Fund	8,041
Sewer Operating Fund	<u>(3,927)</u>
Net adjustment	<u>\$ -</u>

Capital Leases – An audit adjustment was necessary to properly classify proceeds from debt. For 2008, the Village did not record \$55,425 of proceeds or capital expenditures related to a capital lease in the General Fund.

Debt Payments - Audit adjustments were necessary to properly classify the retirement of debt principal and interest. For 2008 and 2009, approximately \$51,100 and \$75,300 of debt principal and interest payments were reclassified from various functional expenditures in governmental and enterprise funds.

The presentation of materially correct financial statements 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.

Village's Response

The Village will attempt to more closely monitor the recording of transactions in the future. The adjustments to fund balances have been made to the financial records of the Village.

FINDING NUMBER 2009-03Noncompliance 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/Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<i>2008</i>			
County Road	\$ -	\$ 1,136	(\$1,136)
Water Notes	-	15,690	(15,690)
<i>2009</i>			
FEMA	-	183	(183)
Water Notes	-	19,901	(19,901)

Village's Response

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

FINDING NUMBER 2009-04Noncompliance Citation

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

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<i>2008</i>			
Permissive Motor	\$ 3,713	\$ 4,250	(\$ 537)
Enforcement & Education	1,064	5,784	(4,720)
Water Meters	-	46,135	(46,135)
Water Operating	144,151	157,682	(13,531)
<i>2009</i>			
General Fund	852,986	856,458	(3,472)
Street Construction	40,345	46,041	(5,696)
Permissive Motor	2,357	2,590	(233)
County Road	271,600	272,000	(400)
Sewer Operating	246,407	250,334	(3,927)

Village's Response

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

FINDING NUMBER 2009-05

Noncompliance Citation

Ohio Revised Code Section 5705.36(A)(4) requires that when it is known that actual resources will be less than currently estimated resources, and the deficiency will reduce available resources below the current level of appropriation, an amended certificate of estimated resources should be obtained to reduce estimated resources available for appropriation. The following funds had estimated resources available that exceeded actual resources available, and the deficiency reduced available resources below the current level of appropriation:

<u>Fund</u>	<u>Actual Resources Available</u>	<u>Appropriations</u>	<u>Variance</u>
<i>2008</i>			
General Fund	\$ 852,796	\$ 896,239	(\$ 43,443)
Street Construction	45,425	48,449	(3,024)
Water Meters	-	46,135	(46,135)
<i>2009</i>			
General Fund	797,071	856,458	(59,387)
Street Construction	39,089	46,041	(6,952)
HCCD Block Grant	867	60,072	(59,205)
Boat Ramp	-	100,000	(100,000)
Road Improvement	112,100	272,000	(159,900)
Water Operating	168,584	189,855	(21,271)
Sewer Operating	139,321	250,334	(111,013)

Village's Response

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

FINDING NUMBER 2009-06

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 66 percent of expenditures tested, 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, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation
2007-01	Internal Controls over Financial Reporting, audit adjustments.	No	Not corrected, reissued as finding 2009-02.
2007-02	ORC section 5705.41(B), expenditures in excess of appropriations.	No	Not corrected, reissued as finding 2009-03.
2007-03	ORC section 5705.39 appropriations in excess of estimated resources.	No	Not corrected, reissued as finding 2009-04.
2007-04	ORC section 5705.41(D) Clerk certification noncompliance citation.	No	Not corrected, reissued as finding 2009-06.

This page intentionally left blank.



Dave Yost • 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
JANUARY 19, 2012