



**Auditor of State
Betty Montgomery**

VILLAGE OF ADDYSTON
HAMILTON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Addyston
Hamilton County
235 Main Street
Addyston, Ohio 45001

To the Village Council:

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, 2003 and 2002. 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN service, and Ohio Revised Code §§117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 7, 2004

**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, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property Tax and Other Local Taxes	\$630,895	\$9,511		\$640,406
Special Assessments	537			537
Intergovernmental Receipts	44,899	19,078	\$161,520	225,497
Charges for Services	14,346			14,346
Fines, Licenses, and Permits	62,827	100		62,927
Earnings on Investments	2,356	446		2,802
Miscellaneous	60	704	300	1,064
	<u>755,919</u>	<u>29,839</u>	<u>161,820</u>	<u>947,579</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	268,801			268,801
Leisure Time Activities	2,311			2,311
Basic Utility Services	17,473			17,473
Transportation	131,759	21,325		153,085
General Government	288,011	945		288,956
Debt Service:				
Principal Payments	16,360	3,541	155,000	174,901
Interest Payments	1,199			1,199
Capital Outlay			107,581	107,581
	<u>725,914</u>	<u>25,812</u>	<u>262,581</u>	<u>1,014,307</u>
Total Receipts Over/(Under) Disbursements	<u>30,006</u>	<u>4,027</u>	<u>(100,761)</u>	<u>(66,728)</u>
Other Financing Receipts:				
Proceeds of Notes			155,000	155,000
	<u>0</u>	<u>0</u>	<u>155,000</u>	<u>155,000</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	30,006	4,027	54,239	88,272
Fund Cash Balances, January 1	100,517	21,620	18,766	140,903
Fund Cash Balances, December 31	<u>\$130,523</u>	<u>\$25,647</u>	<u>\$73,005</u>	<u>\$229,175</u>
Reserves for Encumbrances, December 31	<u>\$32,968</u>	<u>\$21</u>	<u>\$0</u>	<u>\$32,989</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, 2003**

	<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	\$138,714		\$138,714
Miscellaneous	24		24
Total Operating Cash Receipts	138,738	\$0	138,738
Operating Cash Disbursements:			
Personal Services	21,186		21,186
Fringe Benefits	3,729		3,729
Contractual Services	62,985		62,985
Supplies and Materials	80,248		80,248
Capital Outlay	324,478		324,478
Total Operating Cash Disbursements	492,626	0	492,626
Operating Loss	(353,888)	0	(353,888)
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	56,476		56,476
Intergovernmental Receipts	1,854		1,854
Proceeds of Loan	292,000		292,000
Other Non-Operating Receipts	0	70,101	70,101
Total Non-Operating Cash Receipts	350,329	70,101	420,430
Non-Operating Cash Disbursements:			
Debt Service	31,672		31,672
Other Non-Operating Cash Disbursements		69,762	69,762
Total Non-Operating Cash Disbursements	31,672	69,762	101,434
Net Receipts Over/(Under) Disbursements	(35,230)	339	(34,891)
Fund Cash Balances, January 1	131,298	250	131,548
Fund Cash Balances, December 31	\$96,068	\$589	\$96,657
Reserve for Encumbrances, December 31	\$6,284	\$0	\$6,284

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, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property Tax and Other Local Taxes	\$637,013	\$9,070		\$646,083
Special Assessments	1,032			1,032
Intergovernmental Receipts	55,434	17,158	\$342,822	415,414
Charges for Services	31,555			31,555
Fines, Licenses, and Permits	37,587	50		37,637
Earnings on Investments	3,373	523		3,896
Miscellaneous	8,972	533		9,505
	<u>774,966</u>	<u>27,335</u>	<u>342,822</u>	<u>1,145,123</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	310,707	4,968		315,675
Leisure Time Activities	9,058			9,058
Basic Utility Services	44,000			44,000
Transportation	132,494	15,117	1,867	149,478
General Government	231,747			231,747
Debt Service:				
Principal Payments	43,489		155,000	198,489
Interest Payments	18,508			18,508
Capital Outlay			342,822	342,822
	<u>790,004</u>	<u>20,086</u>	<u>499,688</u>	<u>1,309,778</u>
Total Receipts Over/(Under) Disbursements	<u>(15,037)</u>	<u>7,249</u>	<u>(156,867)</u>	<u>(164,655)</u>
Other Financing Receipts and (Disbursements):				
Proceeds of Notes			155,000	155,000
Sale of Fixed Assets	9,275			9,275
Transfers-In	29,408			29,408
Transfers-Out		(29,408)		(29,408)
Other Financing Sources	132			132
	<u>38,815</u>	<u>(29,408)</u>	<u>155,000</u>	<u>164,407</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	23,778	(22,159)	(1,867)	(248)
Fund Cash Balances, January 1	76,739	43,779	20,633	141,151
Fund Cash Balances, December 31	<u>\$100,517</u>	<u>\$21,620</u>	<u>\$18,766</u>	<u>\$140,903</u>
Reserves for Encumbrances, December 31	<u>\$42,694</u>	<u>\$300</u>	<u>\$0</u>	<u>\$42,994</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, 2002**

	<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	\$141,491		\$141,491
Miscellaneous	3,895		3,895
Total Operating Cash Receipts	<u>145,386</u>	<u>\$0</u>	<u>145,386</u>
Operating Cash Disbursements:			
Personal Services	23,212		23,212
Fringe Benefits	3,392		3,392
Contractual Services	71,081		71,081
Supplies and Materials	45,015		45,015
Capital Outlay	24,111		24,111
Total Operating Cash Disbursements	<u>166,812</u>	<u>0</u>	<u>166,812</u>
Operating Income/(Loss)	<u>(21,425)</u>	<u>0</u>	<u>(21,425)</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	56,654		56,654
Intergovernmental Receipts	2,117		2,117
Other Non-Operating Receipts		51,066	51,066
Total Non-Operating Cash Receipts	<u>58,771</u>	<u>51,066</u>	<u>109,837</u>
Non-Operating Cash Disbursements:			
Debt Service	17,551		17,551
Other Non-Operating Cash Disbursements		50,971	50,971
Total Non-Operating Cash Disbursements	<u>17,551</u>	<u>50,971</u>	<u>68,522</u>
Net Receipts Over/(Under) Disbursements	19,795	95	19,890
Fund Cash Balances, January 1	<u>111,503</u>	<u>155</u>	<u>111,658</u>
Fund Cash Balances, December 31	<u>\$131,298</u>	<u>\$250</u>	<u>\$131,548</u>
Reserve for Encumbrances, December 31	<u>\$6,219</u>	<u>\$0</u>	<u>\$6,219</u>

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

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

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

Village funds are pooled in a checking account with a local commercial bank.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is 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 Fund

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 Fund:

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**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 funds:

Sekitan Road Fund - This fund receives proceeds of general obligation notes. The proceeds are being used for street construction.

Issue II Fund – This fund receives Issue II state grant proceeds. The proceeds are being used for installation of water meters, pits, and sprinklers at various locations and the Wells Field Water Main Replacement Project.

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.

5. Fiduciary 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 Fund – This fund is used to account for the collection and distribution of court fines and forfeitures.

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 reappropriated. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2003 and 2002 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 leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	<u>\$325,832</u>	<u>\$272,451</u>

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**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$832,432	\$755,919	(\$76,513)
Special Revenue	37,068	29,839	(7,229)
Capital Projects	0	316,820	316,820
Enterprise	223,940	489,067	265,127
Total	\$1,093,440	\$1,591,645	\$498,205

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$873,653	\$758,882	\$114,771
Special Revenue	78,349	25,833	52,516
Capital Projects	73,005	262,581	(189,576)
Enterprise	319,043	530,582	(211,539)
Total	\$1,344,050	\$1,577,878	(\$233,828)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$704,410	\$813,781	\$109,371
Special Revenue	21,036	27,335	6,299
Capital Projects	420,968	497,822	76,854
Enterprise	102,321	204,157	101,836
Total	\$1,248,735	\$1,543,095	\$294,360

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$767,991	\$832,697	(\$64,706)
Special Revenue	20,285	49,794	(29,509)
Capital Projects	441,601	499,688	(58,087)
Enterprise	275,622	190,582	85,040
Total	\$1,505,499	\$1,572,761	(\$67,262)

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Compliance and Accountability:

Ohio Rev. Code, Section 5705.09(F), requires the Village to establish a special fund for each class of revenues. The Village failed to establish a Capital Projects fund for Issue II revenue and expenditures made on behalf of the Village or a Special Revenue Fund for Community Development Block Grant revenue and expenditures.

Ohio Rev. Code, Section 5705.36, requires the Village to amend the official certificate of estimated resources upon determination of the fiscal officer that revenues to be collected will be greater or less than the original certificate. The Village failed to amend the estimated resources certificate for various funds for both years of the audit period.

Ohio Rev. Code, Section 5705.39, states the total appropriation from each fund shall not exceed the total estimated revenue. The Village had appropriations exceed total estimated resources for various funds for both years of the audit period.

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. The Village had various funds where expenditures exceeded appropriations for both years of the audit period.

The certification of availability of unencumbered appropriations for expenditures was not made prior to purchase commitments being incurred, contrary to Ohio Rev. Code, Section 5705.41(D).

4. 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.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 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.

6. DEBT/LEASES

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan - 1991	\$16,063	0.00%
Ohio Public Works Commission Loan - 1993	12,184	3.00%
Ohio Public Works Commission Loan - 1999	79,500	0.00%
Ohio Public Works Commission Loan - 2003	286,619	3.00%
Total	\$394,367	

The 1991 Ohio Public Works Commission (OPWC) loan relates to the First Street Water Main Improvements project. The 1993 Ohio Public Works Commission (OPWC) loan relates to the Sekitan Street Water Service Rehabilitation project. The 1999 Ohio Public Works Commission (OPWC) loan relates to the Water System Rehabilitation project. The 2003 Ohio Public Works Commission (OPWC) loan relates to the Water Service Replacements project. The loans will be repaid in semiannual installments of \$1,071, \$1,457, \$2,650, and \$9,761, including interest, over 20, 15, 20 and 20 years respectively. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

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

	OPWC Loan 1991	OPWC Loan 1993	OPWC Loan 1999	OPWC Loan 2003
Year ending December 31:				
2004	\$2,142	\$2,915	\$5,300	\$19,521
2005	2,142	2,915	5,300	19,521
2006	2,142	2,915	5,300	19,521
2007	2,142	2,915	5,300	19,521
2008	2,142	1,457	5,300	19,521
2009-2013	5,353		26,500	97,607
2014-2018			26,500	97,607
2019-2023				87,845
Total	\$16,063	\$13,117	\$79,500	\$380,664

In July 2002, the Village made a \$20,000 principal payment from the General Fund, retired the remaining \$155,000 street improvement bond anticipation note and obtained a \$155,000 street improvement bond anticipation note at a rate of 3.13%. The entire note was retired in July 2003. A new note was issued for \$155,000 at a rate of 2.63% with a maturity date of July 19, 2004. The note is collateralized by the faith, credit and revenue of the Village.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT/LEASES (Continued)

Compliance and Accountability:

Contrary to Ohio Rev. Code Section 5705.09, the Village did not establish a bond retirement fund for the street improvement bond anticipation note.

Leases outstanding at December 31, 2003 were as follows:

	Principal	Interest Rate
2003 Ford Motor Credit Company - Police Cruiser	\$18,056	6.35%
2001 Ford Motor Credit Company - Snow Plow/Truck	51,270	6.00%
Total	\$69,326	

The 2003 Ford Motor Credit Company lease was entered into on August 15, 2003. The lease was used to obtain a 2003 Ford Crown Victoria Police Vehicle. The vehicle serves as collateral. At completion of the lease, the cruiser becomes the property of the Village.

The 2001 Ford Motor Credit Company lease was entered into October 19, 2001. The lease was used to obtain a 2001 Ford F650 truck with a spreader and a 2001 Ford F250 truck with a snow plow. The trucks serve as collateral. At the conclusion of the lease, the trucks become the property of the Village.

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

	Ford Motor Credit Police Cruiser	Ford Motor Credit Snow Plow/Truck
Year ending December 31:		
2004	\$7,597	\$19,708
2005	7,597	19,708
2006	4,431	16,423
Total	\$19,625	\$55,839

7. RETIREMENT SYSTEMS

The Village's police chief belongs to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees and part-time police officers belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

8. 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. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2002 and 2001 generally protect against individual losses exceeding \$150,000 for policies issued prior to April 1, 2000; \$100,000 for policies issued between April 1, 2000 and March 31, 2002; and \$125,000 for policies issued April 1, 2002 or later.

Property coverage contracts protect against losses, subject to a deductible of \$50,000, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool cedes reinsurance to re-insurers or excess re-insurers. The Pool is contingently liable should any re-insurer become unable to meet its obligations under the reinsurance agreements.

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, 2002 and 2001 (the latest information available):

	<u>2002</u>	<u>2001</u>
Assets	\$1,852,060	\$3,354,251
Liabilities	<u>(3,627,321)</u>	<u>(4,851,866)</u>
Retained deficit	<u>(\$1,775,261)</u>	<u>(\$1,497,615)</u>



Auditor of State Betty Montgomery

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

Village of Addyston
Hamilton County
235 Main Street
Addyston, Ohio 45001

To the Village Council:

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, 2003 and 2002, and have issued our report thereon dated June 7, 2004. We noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed several instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 7, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the Village of Addyston's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001, 2003-002, 2003-006, 2003-007, 2003-008 and 2003-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2003-001 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 7, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 7, 2004

**VILLAGE OF ADDYSTON
HAMILTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Material Noncompliance / Material Weakness

Ohio Rev. Code, Section 733.28, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village did not classify all receipt and disbursement transactions for the fiscal year ended December 31, 2003 and 2002. Transfers and adjustments in the amount of \$6,328 and \$7,204 respectively were posted to beginning fund balance. Revenues/expenditures for the fiscal year ending December 31, 2003 and 2002 from Bond Anticipation Notes in the amount of \$155,000 and \$155,000 respectively, Issue II Grants in the amount of \$74,928 and \$342,822 respectively, and Ohio Public Works Grants in the amount of \$292,000 were not posted to the ledgers. The Village was therefore unable to monitor compliance with its appropriation resolutions.

Ohio Admin. Code, Section 117-2-02(A), requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Admin. Code, Section 117-9-01, provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Using these classifications will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

FINDING NUMBER 2003-002

Material Noncompliance / Reportable Condition

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision or taxing unit from making an expenditure unless it has been appropriated. Actual expenditures exceeded appropriations in the following funds by the following amounts:

<u>Year</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
2002	General Fund	\$767,991	\$832,697	(\$64,706)
2002	Street Construction, Maintenance/Repair	4,981	10,885	(5,904)
2002	Youth Fund	0	29,408	(29,408)
2002	Fire Levy Fund	3,729	4,856	(1,127)
2002	Sekitan Road Fund	20,633	156,867	(136,234)
2003	Sekitan Road Fund	0	173,766	(173,766)
2003	Issue II Fund	0	74,928	(74,928)
2003	CDBG Fund	0	7,592	(7,592)
2003	Water Operating Fund	204,754	436,908	(232,154)

**FINDING NUMBER 2003-002
(Continued)**

The Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary. The Clerk may also request Council establish a cut off date for purchase orders allowing appropriate time for budget analysis and necessary amendments.

FINDING NUMBER 2003-003

Material Noncompliance

Ohio Rev. Code, Sections 5705.09(F), requires the Village to establish a special fund for each class of revenues derived from a source other than general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure, and anticipated revenues should be included in the Village appropriations.

The Village failed to establish a Community Development Block Grant fund in 2003 to account for \$7,592 received from Hamilton County, placing the proceeds in the general fund. The Ohio Public Works Commission made payments on behalf of the Village of \$342,822 in 2002 and \$74,928 in 2003. The Village failed to include these transactions in its financial statements. The accompanying financial statements have been adjusted to reflect the receipt and disbursement of this money.

We recommend the Village establish and budget monies on behalf of the Village. Guidance on the accounting treatment for these types of transactions is set forth in Auditor of State Bulletins 2000-008 and 2002-004.

FINDING NUMBER 2003-004

Material Noncompliance

Ohio Rev. Code, Sections 5705.09, requires a subdivision to establish a bond retirement fund into which it must pay sufficient revenues to retire serial bonds, notes and certificates of indebtedness at maturity.

The Village failed to establish a bond retirement fund for bond anticipation notes of \$155,000 issued in both 2002 and 2003.

We recommend the Village establish the required bond retirement fund by Council resolution. This will assist the Village in monitoring its debt activity.

FINDING NUMBER 2003-005

Material Noncompliance

Village Ordinance 1994-12 requires the use of approved leave request forms for vacation leave. We noted 14% of tested leave forms were not on file for vacation leave. In addition, the Village keeps a manual record of all accumulated leave balances. The manual record did not trace to the year end leave summary or time sheets in 94% of tested instances. This could result in overpayment for vacation/sick days by allowing time to be taken when there is not enough vacation/sick leave time accumulated in comparison with time taken. We recommend that leave request forms be completed and submitted along with time cards to the Village Clerk at the end of each pay period for processing and filing. The Village should record leave time for each employee that would show the beginning balance, time accumulated, time used and ending balance to assist in ensuring employees and leave and attendance records are not misstated, and they are correctly paid.

FINDING NUMBER 2003-006

Material Noncompliance / Reportable Condition

Ohio Rev. Code, Section 5705.39, states the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. Total appropriations exceeded total estimated resources in the following instances:

<u>Year</u>	<u>Fund</u>	<u>Total Certified Resources</u>	<u>Total Appropriations</u>	<u>Variance</u>
2002	State Highway Fund	\$1,737	\$4,076	(\$2,339)
2002	Perm. MVL Fund	2,071	2,254	(183)
2002	Fire Levy Fund	1,000	3,729	(2,729)
2002	Water Op. Fund	79,317	161,571	(82,253)
2003	Perm. MVL Fund	2,557	4,244	(1,687)
2003	Enforcement Ed.	0	838	(838)
2003	County Road Fund	0	73,005	(73,005)

The Village should monitor the yearly budget measures at the legal level of control so that appropriations are equal to or less than estimated revenues when adopted and throughout the year.

FINDING NUMBER 2003-007

Material Noncompliance / Reportable Condition

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 purposes 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 needs to be signed 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.

This Section also provides for two exceptions to the above requirement:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount is less than \$1,000, (\$3,000 after April 7, 2003), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

**FINDING NUMBER 2003-007
(Continued)**

Contrary to the above requirement, the availability of funds was not certified for 33% of the disbursements tested. Failure to certify the availability of funds and encumber appropriations can result in overspending and negative cash balances. Therefore, we recommend the Village obtain approved purchased orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2003-008

Reportable Condition

Water and sewer receipts were not properly posted to customer accounts for 3% of tested accounts and customer balances were not properly calculated for 27% of tested accounts. Because of the small size of the Village, the Utilities Clerk is responsible for virtually all record keeping including collecting receipts, account postings, and making the deposits.

This can result in residents not being properly invoiced for utilities and a loss of revenue for the Village.

We recommend customer accounts should be reviewed periodically by a member of the Board of Public Affairs for accuracy in order to reduce the risk of over/under payments and miss-postings. This review should be documented by the Board of Public Affairs member initialing and dating the accounts he/she has reviewed.

FINDING NUMBER 2003-009

Reportable Condition

While we noted the original appropriation resolutions and amendments thereto were approved by the Village Council throughout the audit period, the amended appropriation amounts were not properly entered into the Uniform Accounting Network (UAN) system on a timely basis by the Village Clerk.

This reduces the internal controls over the budgetary process by allowing expenditures to exceed Village Council approved appropriations, (see finding 2003-002), and appropriations to exceed total estimated resources, (see finding 2003-006). It also results in inaccurate UAN reports being generated for review and approval.

We recommend the Village Clerk promptly and accurately post all budgetary documents as approved by Council.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30431-001	Ohio Rev. Code 733.28, Village not maintaining complete and accurate records.	No	Reissued as finding 2003-001
2001-30431-002	Ohio Rev. Code 5705.41(B), expenditures in excess of appropriations.	No	Reissued as finding 2003-002
2001-30431-003	Ohio Rev. Code 5705.41(D), the availability of funds was not certified for certain expenditures.	No	Partially corrected; Reissued as finding 2003-007
2001-30431-004	Ohio Rev. Code 5705.09(F), not establishing the proper funds.	No	Reissued as finding 2003-003
2001-30431-005	Ohio Rev. Code 5705.09, not establishing bond retirement fund.	No	Reissued as finding 2003-004
2001-30431-006	Village Ordinance 1994-12, proper use of leave forms.	No	Reissued as finding 2003-005



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Betty Montgomery**

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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
JUNE 22, 2004**