



**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 - 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF ADDYSTON
HAMILTON COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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, 2001 and 2000. 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.

The accompanying financial statements present unclassified receipts of 15% for the General Fund and 3% for the Special Revenue Fund Type for the fiscal year ended December 31, 2000. All expenditures, with the exception of \$10,537 in the Enterprise Fund for debt service, are unclassified for the fiscal year ended December 31, 2000. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

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, except for the omission of receipt and disbursement classifications for the year ended December 31, 2000, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Addyston, Hamilton County, as of December 31, 2001 and 2000, and its combined unclassified cash receipts and disbursements for the year ended December 31, 2000 and combined cash receipts and disbursements for the year ended December 31, 2001, on the basis of accounting described in Note 1.

As described in Note 2 to the accompanying financial statements, during 2000 the Village changed the classification of its Water Utility Fund from a Special Revenue Fund to an Enterprise Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2002 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 management, the 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, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

May 31, 2002

**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, 2001**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property Tax and Other Local Taxes	\$627,153	\$50,450		\$677,603
Intergovernmental Receipts	45,491	5,891	134,931	186,313
Charges for Services	30,337			30,337
Fines, Licenses, and Permits	40,482	805		41,287
Earnings on Investments	9,437	1,320		10,757
	<u>752,900</u>	<u>58,466</u>	<u>134,931</u>	<u>946,297</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	457,547	33,059		490,606
Leisure Time Activities	10,921	39,217		50,138
Basic Utility Services	47,450			47,450
Transportation	105,526	41,306	61,001	207,833
General Government	308,622	3,436		312,058
Debt Service:				
Principal Payments			200,000	200,000
Interest Payments			13,560	13,560
Capital Outlay		34,337	134,931	169,268
	<u>930,066</u>	<u>151,355</u>	<u>409,492</u>	<u>1,490,913</u>
Total Cash Disbursements	<u>930,066</u>	<u>151,355</u>	<u>409,492</u>	<u>1,490,913</u>
Total Receipts Over/(Under) Disbursements	<u>(177,166)</u>	<u>(92,889)</u>	<u>(274,561)</u>	<u>(544,616)</u>
Other Financing Receipts/(Disbursements):				
Proceeds of Notes			175,000	175,000
Sale of Fixed Assets		21,000		21,000
Other Financing Sources	53,410	14,882	32	68,324
	<u>53,410</u>	<u>35,882</u>	<u>175,032</u>	<u>264,324</u>
Total Other Financing Receipts/(Disbursements)	<u>53,410</u>	<u>35,882</u>	<u>175,032</u>	<u>264,324</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(123,756)	(57,007)	(99,529)	(280,292)
Fund Cash Balances, January 1	<u>200,495</u>	<u>100,788</u>	<u>120,162</u>	<u>421,445</u>
Fund Cash Balances, December 31	<u>\$76,739</u>	<u>\$43,781</u>	<u>\$20,633</u>	<u>\$141,153</u>
Reserves for Encumbrances, December 31	<u>\$6,228</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,228</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, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$145,625		145,625
Total Operating Cash Receipts	<u>145,625</u>		<u>145,625</u>
Operating Cash Disbursements:			
Personal Services	20,070		20,070
Fringe Benefits	6,535		6,535
Contractual Services	83,989		83,989
Supplies and Materials	38,528		38,528
Capital Outlay	<u>31,204</u>		<u>31,204</u>
Total Operating Cash Disbursements	<u>180,326</u>		<u>180,326</u>
Operating Income/(Loss)	<u>(34,701)</u>		<u>(34,701)</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	53,245		53,245
Intergovernmental Receipts	592		592
Other Non-Operating Cash Receipts	<u>3,794</u>	<u>28,128</u>	<u>31,922</u>
Total Non-Operating Cash Receipts	<u>57,631</u>	<u>28,128</u>	<u>85,759</u>
Non-Operating Cash Disbursements:			
Debt Service	10,357		10,357
Other Non-Operating Cash Disbursements		<u>28,307</u>	<u>28,307</u>
Total Non-Operating Cash Disbursements	<u>10,357</u>	<u>28,307</u>	<u>38,664</u>
Net Receipts Over/(Under) Disbursements	12,573	(179)	12,394
Fund Cash Balances, January 1	<u>98,930</u>	<u>334</u>	<u>99,264</u>
Fund Cash Balances, December 31	<u>\$111,503</u>	<u>\$155</u>	<u>\$111,658</u>
Reserve for Encumbrances, December 31	<u>\$4,690</u>	<u>\$0</u>	<u>\$4,690</u>

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

VILLAGE OF ADDYSTON
HAMILTON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property Tax and Other Local Taxes	\$695,769	\$65,944		\$761,713
Intergovernmental Receipts	32,207	38,895	124,530	195,632
Unclassified	131,902	3,500		135,402
Total Cash Receipts	859,878	108,339	124,530	1,092,747
Cash Disbursements:				
Unclassified	760,928	145,886	204,368	1,111,182
Total Cash Disbursements	760,928	145,886	204,368	1,111,182
Total Receipts Over/(Under) Disbursements	98,950	(37,547)	(79,838)	(18,435)
Other Financing Receipts/(Disbursements):				
Proceeds of Notes			200,000	200,000
Total Other Financing Receipts/(Disbursements)			200,000	200,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	98,950	(37,547)	120,162	181,565
Fund Cash Balances January 1 (restated)	101,545	138,335	0	239,880
Fund Cash Balances, December 31	\$200,495	\$100,788	\$120,162	\$421,445
Reserves for Encumbrances, December 31	\$4,006	\$2,388	\$0	\$6,394

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, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$136,620		\$136,620
Total Operating Cash Receipts	136,620		136,620
Operating Cash Disbursements:			
Unclassified	200,256		200,256
Total Operating Cash Disbursements	200,256		200,256
Operating Income/(Loss)	(63,636)		(63,636)
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	43,141		43,141
Intergovernmental Receipts	604		604
Other Non-Operating Receipts		20,339	20,339
Total Non-Operating Cash Receipts	43,745	20,339	64,084
Non-Operating Cash Disbursements:			
Debt Service	10,357		10,357
Other Non-Operating Cash Disbursements		20,251	20,251
Total Non-Operating Cash Disbursements	10,357	20,251	30,608
Net Receipts Over/(Under) Disbursements	(30,248)	88	(30,160)
Fund Cash Balances, January 1 (restated)	129,178	246	129,424
Fund Cash Balances, December 31	\$98,930	\$334	\$99,264
Reserve for Encumbrances, December 31	\$784	\$0	\$784

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, 2001 AND 2000**

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 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).

The Village did not classify all its receipts and or disbursements in the accompanying financial statements for the fiscal year ended December 31, 2000. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A) (effective July 1, 2000) and Ohio Administrative Code Section 117-5-11 (effective through June 30, 2000). These Ohio Administrative Code Sections require classifying receipts and disbursements.

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 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**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds (Continued)

Fire District - This fund receives tax revenue for the operation of the Village Fire Department. In April of 2000 the Village disbanded its Fire Department and Emergency Medical Services.

The Village contracts with the Village of Cleves for fire protection services and with Miami Township for emergency medical services.

3. Capital Projects 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:

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

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 tax revenue and charges for services from residents to cover the cost of providing this utility.

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

5. Fiduciary Fund (Agency Fund)

The fund for which the Village is acting in an agency capacity are classified as an agency fund. The Village had the following significant 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, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (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 use the encumbrance method of accounting. However, adjustments have been made to the financial statements to record those outstanding commitments at year end.

A summary of 2001 and 2000 budgetary activity appears in Note 4.

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. Unpaid Vacation and Sick Leave

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

2 RECLASSIFICATION OF FUND ACTIVITY

In 2000, the Village changed the classification of its Water Utility Fund from a Special Revenue Fund to an Enterprise Fund. The effect of this fund reclassification on beginning fund balances reported as of January 1, 2000 is as follows:

	Special Revenue Fund	Enterprise Fund
Fund cash balances as previously report	\$196,922	\$70,591
Fund reclassifications	<u>(58,587)</u>	<u>58,587</u>
Restated Fund Cash Balances at January 1, 2000	<u>\$138,335</u>	<u>\$129,178</u>

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. EQUITY IN POOLED CASH

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:

	2001	2000
Demand deposits	\$252,811	\$520,709

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$553,165	\$806,310	\$253,145
Special Revenue	99,900	94,348	(5,552)
Capital Projects		309,963	309,963
Enterprise	180,250	203,256	23,006
Total	\$833,315	\$1,413,877	\$580,562

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$737,504	\$936,294	(\$198,790)
Special Revenue	179,362	151,355	28,007
Capital Projects		409,492	(409,492)
Enterprise	279,180	195,373	83,807
Total	\$1,196,046	\$1,692,514	(\$496,468)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$799,931	\$859,878	\$59,947
Special Revenue	93,779	108,339	14,560
Capital Projects	0	324,530	324,530
Enterprise	49,764	180,365	130,601
Total	\$943,474	\$1,473,112	\$529,638

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$717,337	\$764,934	(\$47,597)
Special Revenue	115,419	148,274	(32,855)
Capital Projects	0	204,368	(204,368)
Enterprise	162,642	211,397	(48,755)
Total	\$995,398	\$1,328,973	(\$333,575)

Compliance and Accountability:

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.

Ohio Rev. Code Section 5705.09(F), require the Village to establish a special fund for each class of revenues. The Village failed to establish a Capital Projects fund for Ohio Public Works Commission revenue and expenditures made on behalf of the Village.

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

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 payment, 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 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.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. DEBT/LEASES

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan - 1991	\$20,346	0.00%
Ohio Public Works Commission Loan - 1993	17,097	3.00%
Ohio Public Works Commission Loan - 1999	90,100	0.00%
Total	\$127,543	

The 1991 Ohio Public Works Commission(OPWC) loan was for First Street Water Main Improvements. The 1993 OPWC loan was for Sekitan Street Water Service Rehabilitation. The 1999 OPWC loan was for the Water System Rehabilitation Project. The loans are being repaid in semiannual installments of \$1,071,\$1,457, and \$2,650 including interest, over 20, 15, and 20 years respectively.

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

Year ending December 31:	OPWC Loan 1991	OPWC Loan 1993	OPWC Loan 1999
2002	\$2,142	\$2,915	\$5,300
2003	2,142	2,915	5,300
2004	2,142	2,915	5,300
2005	2,142	2,915	5,300
2006	2,142	2,915	5,300
2007-2011	9,636	4,371	26,500
2012-2016			26,500
2017-2019			10,600
Total	\$20,346	\$18,946	\$90,100

In July 2000, the Village obtained a \$200,000 street improvement bond anticipation note at a rate of 6.75%. The entire note was retired in July 2001. A new note was issued for \$175,000 at a rate of 4.47% with a maturity date of July 19, 2002. The note is collateralized by the faith, credit and revenue of the Village.

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.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. DEBT/LEASES (Continued)

Leases outstanding at December 31, 2001 are as follows:

	Principal	Interest Rate
General Motors Acceptance Corporation	\$15,459	6.25%
Ford Motor Credit Company	85,475	6.00%
Total	\$100,934	

The General Motors Acceptance Corporation lease was entered into April 18, 2000. The lease was used to obtain two 2000 Chevrolet Impala Police Vehicles. The Village has a purchase option at the completion of the lease of \$1 for each vehicle. The vehicles serve as collateral.

The 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. At the conclusion of the lease the trucks become the property of the Village. The trucks serve as collateral.

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

Year ending December 31:	GMAC Police Vehicles	Ford Motor Credit Snow Plow
2002	\$10,823	\$19,708
2003	5,411	19,708
2004		19,708
2005		19,708
2006		19,708
Total	\$16,234	\$98,540

8. RETIREMENT SYSTEMS

The Village's police chief belongs to the Ohio Police and Fire Fund (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 post-retirement 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 2001 and 2000, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

9. RISK POOL MEMBERSHIP

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages, modified for each member's needs. The Plan pays judgements, settlements, and other expenses resulting from covered claims that exceed the members deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

10. COMPLIANCE

Village Ordinance 1994-12 requires the use of approved leave request forms. This ordinance was not followed.

11. CONTINGENT LIABILITIES

The Village is a defendant in a case involving a contract. The plaintiff is seeking up to \$100,000. The Village is defending the case vigorously, but is unable to determine the ultimate outcome.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS 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, 2001 and 2000, and have issued our report thereon dated May 31, 2002 which was qualified since the Village did not classify all receipts and disbursements for the fiscal year ended December 31, 2000. We also noted the Village reclassified the Water Utility Fund. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2001-30431-001 through 2001-30431-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 31, 2002.

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 over financial reporting that, in our judgement, 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 2001-30341-001 through 2001-30431-003.

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 material weaknesses. However, of the reportable conditions described above, we consider item 2001-30341-001 to be a material weakness.

Village of Addyston
Hamilton County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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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 the management of the Village in a separate letter dated May 31, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

May 31, 2002

**VILLAGE OF ADDYSTON
HAMILTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2001-30431-001

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, 2000. The Village was therefore unable to monitor compliance with its appropriation resolution. The Village was also unable to classify all receipts by source or disbursements by purpose in its fiscal year 2000 annual report, contrary to Ohio Rev. Code Section 117.38.

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. It is noted the Village subscribed to computerized Uniform Accounting Network (UAN) beginning in fiscal year 2001.

* Prior to July 1, 2000, these requirements were included in Ohio Administrative Code Section 117-5.

FINDING NUMBER 2001-30431-002

Material Noncompliance Citation / 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>
2000	General Fund	\$717,337	\$764,934	(\$47,597)
2000	Street Construction, Maintenance/Repair	5,400	38,900	(33,500)
2000	Sekitan Road Fund	0	204,368	(204,368)
2000	Water Fund	89,276	125,689	(36,413)
2000	Sewer Fund	73,366	85,708	(12,342)
2001	General Fund	737,504	936,294	(198,790)
2001	Sekitan Road Fund	0	409,492	(409,492)
2001	Fire Fund	21,000	33,509	(12,059)

FINDING NUMBER 2001-30431-002
(Continued)

We recommend that expenditures and appropriations be frequently reviewed by Village Council and the necessary adjustments made to prevent expenditures from exceeding appropriations. These adjustments should be formally approved by Council in the minutes and the Clerk should only make amendments to the appropriations ledger based on these formally documented approvals. The Sekitan Road Fund negative variances are partially attributable to the Village not accounting for Ohio Public Works Commission Funds as stated in finding number 2001-30431-001.

FINDING NUMBER 2001-30431-003

Material Noncompliance Citation / 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, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

The Village does not use purchase orders to approve purchase commitments, contrary to Ohio Administrative Code Section 117-2-02(C)(2). The purchasing process should be initiated with a completed and signed purchase order prior to the ordering of goods or services, and the expenditure of money. The department supervisor(s) or other authorized personnel should complete and submit a purchase order to the Clerk for review, approval, and certification that funds are available to purchase the goods and/or service, and that the purchase is valid and for a proper public purpose. The Village should institute the use of purchase orders and establish proper procedures for processing purchase orders not only to be in compliance with the Ohio Revised Code, but to provide assurance that all expenditures are authorized and valid.

FINDING NUMBER 2001-30431-004

Noncompliance Citation

Ohio Rev. Code, Section 5705.09(F) requires the Village to establish a special fund for each class of revenues derived from a source other than the 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 expenditures should be included in the Village's appropriations.

The Ohio Public Works Commission made payments of monies to contractors on behalf of the Village of \$134,931 for 2001 and \$123,190 for 2000. The Village failed to establish a fund for 2000 or 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 spent 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 2001-30431-005

Noncompliance Citation

Ohio Rev. Code Section 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 the required bond retirement fund for the \$200,000 bond anticipation note issued in 2000.

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

FINDING NUMBER 2001-30431-006

Noncompliance Citation

Village Ordinance 1994-12 requires the use of approved leave request forms for vacation leave. Leave request forms are not being completed by employees, approved by the supervisor and forwarded to the Clerk prior to leave being taken. In addition, the Village does not monitor and track accumulated leave balances. This practice 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.

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**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-30431-001	Ohio Rev. Code 5705.41(B), expenditures in excess of appropriations.	No	Reissued as finding 2001-30431-002
1999-30431-002	Ohio Rev. Code 5705.39, appropriations exceeding estimated revenue.	No	Partially corrected, re-issued in the management letter.
1999-30431-003	Ohio Rev. Code 5705.36, not amending certificate of estimated resources.	Yes	
1999-30431-004	Ohio Rev. Code 5705.41(D), not encumbering expenditures.	No	Reissued as finding 2001-30431-003
1999-30431-005	Ohio Rev. Code 5705.14, Council not approving transfers.	Yes	
1999-30431-006	Ohio Rev. Code 743.06, water fund not on Village financial statements.	Yes	
1999-30431-007	Ohio Rev. Code 733.28, Village not maintaining complete and accurate records.	No	Reissued as finding 2001-30431-001.
1999-30431-008	Ohio Rev. Code 117.43 and Ohio Adm. Code 117-5-01 through 117-5-18, not using proper accounting procedures.	Yes	
1999-30431-009	Ohio Rev. Code 149.351, disposed or could not locate records.	No	Partially corrected, re-issued in the management letter.
1999-30431-010	Village Ordinance 1994-12 requires the use of approved leave request forms.	No	Reissued as finding 2001-30431-006.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30431-011	Reportable condition for incomplete personnel records.	Yes	
1999-30431-012	Reportable condition for not reconciling monthly to the cash journal.	Yes	
1999-30431-013	Reportable condition for Council not approving 19% of Village expenditures.	Yes	
1999-30431-014	Reportable condition for Council not monitoring budgetary activity.	No	Incorporated into finding 2001-30341-002.



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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
JULY 9, 2002**