

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012**



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Addyston, Hamilton County, prepared by Bastin & Company, LLC, for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Addyston is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 16, 2014

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**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Members of Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Addyston, Hamilton County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principle

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Addyston, Hamilton County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

Cincinnati, Ohio
September 10, 2014

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<i>Cash Receipts:</i>				
Local Taxes	\$ 125,646	\$ 104,022	\$ -	\$ 229,668
Municipal Income Tax	531,614	-	-	531,614
Intergovernmental	12,461	-	-	12,461
Charges for Services	39,365	-	-	39,365
Licenses, Permits, and Fees	111,956	3,130	-	115,086
Miscellaneous	-	440	-	440
Total Cash Receipts	821,042	107,592	-	928,634
<i>Cash Disbursements:</i>				
Current:				
General Government	239,730	4,421	-	244,151
Security of Persons and Property	262,746	56,567	-	319,313
Leisure Time Activities	1,019	-	-	1,019
Basic Utility Services	10,500	-	-	10,500
Transportation	71,752	17,426	-	89,178
Capital Outlay	-	-	85	85
Debt Service:				
Principal Payments	3,789	8,451	-	12,240
Interest and Fiscal Charges	192	546	-	738
Total Cash Disbursements	589,728	87,411	85	677,224
Total Receipts Over (Under) Disbursements	231,314	20,181	(85)	251,410
<i>Other Financing Receipts (Disbursements):</i>				
Advances-In	-	12,000	-	12,000
Advances Out	(12,000)	-	-	(12,000)
Total Other Financing Receipts (Disbursements)	(12,000)	12,000	-	-
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	219,314	32,181	(85)	251,410
Fund Cash Balances, January 1	(37,331)	34,509	9,533	6,711
Fund Cash Balances, December 31:				
Restricted	-	66,690	9,448	76,138
Unassigned	181,983	-	-	181,983
Fund Cash Balances, December 31	\$ 181,983	\$ 66,690	\$ 9,448	\$ 258,121

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

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
BALANCES (CASH BASIS) - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 305,204	\$ -	\$ 305,204
Total Operating Cash Receipts	<u>305,204</u>	<u>-</u>	<u>305,204</u>
<i>Operating Cash Disbursements:</i>			
Personal Services	44,535	-	44,535
Fringe Benefits	7,300	-	7,300
Contractual Services	184,482	-	184,482
Supplies and Materials	42,982	-	42,982
Total Operating Cash Disbursements	<u>279,299</u>	<u>-</u>	<u>279,299</u>
Operating Income	<u>25,905</u>	<u>-</u>	<u>25,905</u>
<i>Non-Operating Cash Receipts:</i>			
Property Tax and Other Local Taxes	22,127	-	22,127
Other Non-Operating Receipts	-	154,769	154,769
Total Non-Operating Cash Receipts	<u>22,127</u>	<u>154,769</u>	<u>176,896</u>
<i>Non-Operating Cash Disbursements:</i>			
Debt Service-Principal	16,825	-	16,825
Interest and Fiscal Charges	4,909	-	4,909
Capital Outlay	13,304	-	13,304
Other Non-Operating Disbursements	-	161,162	161,162
Total Non-Operating Cash Disbursements	<u>35,038</u>	<u>161,162</u>	<u>196,200</u>
Net Receipts Over (Under) Disbursements	12,994	(6,393)	6,601
Fund Cash Balances, January 1	<u>26,196</u>	<u>20,254</u>	<u>46,450</u>
Fund Cash Balances, December 31	<u>\$ 39,190</u>	<u>\$ 13,861</u>	<u>\$ 53,051</u>

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

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<i>Cash Receipts:</i>				
Local Taxes	\$ 139,297	\$ 104,576	\$ -	\$ 243,873
Municipal Income Tax	271,696	-	-	271,696
Intergovernmental	15,450	37,085	-	52,535
Charges for Services	51,103	-	-	51,103
Licenses, Permits, and Fees	135,649	220	-	135,869
Miscellaneous	20,000	1,488	-	21,488
Total Cash Receipts	633,195	143,369	-	776,564
<i>Cash Disbursements:</i>				
Current:				
General Government	224,050	18,359	-	242,409
Security of Persons and Property	268,874	52,162	-	321,036
Leisure Time Activities	16,262	-	-	16,262
Basic Utility Services	11,770	-	-	11,770
Transportation	99,061	46,433	-	145,494
Capital Outlay	-	-	8,527	8,527
Debt Service:				
Principal Payments	70,607	7,877	-	78,484
Interest and Fiscal Charges	2,090	848	-	2,938
Total Cash Disbursements	692,714	125,679	8,527	826,920
Total Receipts Over (Under) Disbursements	(59,519)	17,690	(8,527)	(50,356)
<i>Other Financing Receipts (Disbursements):</i>				
Proceeds from Notes	50,000	-	-	50,000
Advances-In	12,000	-	-	12,000
Advances Out	-	(12,000)	-	(12,000)
Total Other Financing Receipts (Disbursements)	62,000	(12,000)	-	50,000
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	2,481	5,690	(8,527)	(356)
Fund Cash Balances, January 1	(39,812)	28,819	18,060	7,067
Fund Cash Balances, December 31:				
Restricted	-	39,108	9,533	48,641
Unassigned	(37,331)	(4,599)	-	(41,930)
Fund Cash Balances, December 31	\$ (37,331)	\$ 34,509	\$ 9,533	\$ 6,711

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

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
BALANCES (CASH BASIS) - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 327,205	\$ -	\$ 327,205
Total Operating Cash Receipts	<u>327,205</u>	<u>-</u>	<u>327,205</u>
<i>Operating Cash Disbursements:</i>			
Personal Services	47,713	-	47,713
Fringe Benefits	13,733	-	13,733
Contractual Services	205,088	-	205,088
Supplies and Materials	54,378	-	54,378
Total Operating Cash Disbursements	<u>320,912</u>	<u>-</u>	<u>320,912</u>
Operating Income	<u>6,293</u>	<u>-</u>	<u>6,293</u>
<i>Non-Operating Cash Receipts:</i>			
Property Tax and Other Local Taxes	31,134	-	31,134
Proceeds for OWDA Loan	84,752	-	84,752
Other Non-Operating Receipts	-	152,422	152,422
Total Non-Operating Cash Receipts	<u>115,886</u>	<u>152,422</u>	<u>268,308</u>
<i>Non-Operating Cash Disbursements:</i>			
Debt Service-Principal	25,470	-	25,470
Interest and Fiscal Charges	6,489	-	6,489
Capital Outlay	82,752	-	82,752
Other Non-Operating Disbursements	-	155,700	155,700
Total Non-Operating Cash Disbursements	<u>114,711</u>	<u>155,700</u>	<u>270,411</u>
Net Receipts Over (Under) Disbursements	7,468	(3,278)	4,190
Fund Cash Balances, January 1	<u>18,728</u>	<u>23,532</u>	<u>42,260</u>
Fund Cash Balances, December 31	<u>\$ 26,196</u>	<u>\$ 20,254</u>	<u>\$ 46,450</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, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Addyston, Hamilton County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, street maintenance, and police protection. The Village contracts with Miami Township to provide emergency medical and fire protection services.

The Village participates in Public Entities Pool of Ohio (PEP), a public entity risk-sharing pool. Note 9 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. 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.

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

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(continued)**

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Road Improvement Fund - This fund received 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 to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

6. Fiduciary Fund (Agency Fund)

Fiduciary Funds include Agency Funds. Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following Agency Fund:

Mayor's Court Agency Fund – This fund reports the financial activity of the Village Mayor's Court for fines, forfeitures, and bonds.

D. 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 Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

2. Estimated Resources

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

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(continued)**

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as assigned unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(continued)**

5. Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Property, Plant and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

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

	2013	2012
Demand deposits	\$311,172	\$53,161

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

Fund Type	2013 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 669,028	\$ 821,042	\$ 152,014
Special Revenue	91,281	119,592	28,311
Capital Projects	100,000	-	(100,000)
Enterprise	282,521	327,331	44,810
Total	\$ 1,142,830	\$ 1,267,965	\$ 125,135

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(continued)**

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 630,951	\$ 601,728	\$ 29,223
Special Revenue	130,561	87,411	43,150
Capital Projects	109,532	85	109,447
Enterprise	319,793	314,337	5,456
Total	\$ 1,190,837	\$ 1,003,561	\$ 187,276

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 720,040	\$ 695,195	\$ (24,845)
Special Revenue	90,677	143,369	52,692
Capital Projects	50,000	-	(50,000)
Enterprise	344,197	443,091	98,894
Total	\$ 1,204,914	\$ 1,281,655	\$ 76,741

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 645,500	\$ 692,714	\$ (47,214)
Special Revenue	160,233	137,679	22,554
Capital Projects	159,532	8,527	151,005
Enterprise	356,972	435,623	(78,651)
Total	\$ 1,322,237	\$ 1,274,543	\$ 47,694

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(continued)**

4. COMPLIANCE

- Contrary to Ohio Revised Code, Section 5705.10, as of December 31, 2012 and 2013 the Village maintained deficit cash balances in certain funds that indicates money from other funds has been used to pay the obligations of these funds.
- Contrary to Ohio Revised Code, Section 5705.41(B), the Village expended money in excess of amounts appropriated in 1 fund for 2013 and 2 funds during 2012.
- Contrary to Ohio Revised Code, Section 5705.39, the Village's total appropriations exceeded the total of estimated resources in 6 funds during 2013 and 5 funds during 2012.
- Contrary to Ohio Revised Code Section 5705.36(A)(4) the Village did not obtain an amended certificate of estimated resources when it was known that actual resources would be less than currently estimated resources, and the deficiency would have required a reduction in estimated resources below the current level of appropriation. Actual resources were less than estimated resources and the deficiency resulted in amounts that were appropriated to exceed actual resources available for 3 funds during 2013 and 4 funds during 2012.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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, 2013 AND 2012
(continued)**

7. DEBT

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water System Rehabilitation - OPWC #CB007	\$ 29,150	0.00%
Water Service Replacements - OPWC #CB24E	167,578	3.00%
Well Field Water Main Replacement - OPWC #CT04E	49,445	0.00%
Second Street Waterline Replacement - OWDA #5879	77,961	2.00%
Total	<u>\$ 324,134</u>	

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 2011, the Village was awarded Ohio Water Development Authority Loan #5879 in the amount of \$109,556. Proceeds from the loan were used to finance the Second Street Waterline Replacement. As of December 31, 2013, \$84,752 of the funds had been disbursed by OWDA for project costs. The loan terms will require repayment over 20 years following final project completion. The Village has made interim principal payments on the loan of \$1,906 and \$4,885 during 2012 and 2013, respectively. A future repayment amortization schedule of the loan is not currently available due to the interim nature of the project.

During October 2012, the Village issued a \$50,000 Tax Anticipation Note to provide operating funds. The Tax Anticipation Note was retired during December 2012.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(continued)**

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

Year ending December 31:	Water System Rehabilitation	Water Service Replacements	Well Field Water Main Replacement	Total
2014	\$ 5,300	\$ 19,521	\$ 4,300	\$ 29,121
2015	5,300	19,521	4,300	29,121
2016	5,300	19,521	4,300	29,121
2017	5,300	19,521	4,300	29,121
2018	5,300	19,521	4,300	29,121
2019-2023	2,650	97,608	21,498	121,756
2024-2025	-	-	6,447	6,447
Total	<u>\$ 29,150</u>	<u>\$ 195,213</u>	<u>\$ 49,445</u>	<u>\$ 273,808</u>

8. RETIREMENT SYSTEMS

The Village's police chief belongs to the Ohio Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For January 2012 through June 2013, OP&F participants contributed 10 percent of their gross wages. For July 2013 through December 2013, OP&F participants contributed 10.75 percent of their gross wages. The Village contributed an amount equal to 19.5 percent of police members' wages. For 2013 and 2012, OPERS members contributed 10 percent of their gross wages and the Village contributed an amount equal to 14 percent of participants' gross wages. The Village has paid all contributions required through December 31, 2013.

9. RISK MANAGEMENT

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

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

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.

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, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(continued)**

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.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013 (the latest information available):

	2012	2013
Assets	\$34,389,569	\$34,411,883
Liabilities	(14,208,353)	(12,760,194)
Net Assets	\$20,181,216	\$21,651,689

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Government's share of these unpaid claims collectible in future years is approximately \$15,000.

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.

Contributions to PEP	
2013	\$21,242
2012	11,931

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to 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, 2013 AND 2012
(continued)**

10. SUBSEQUENT EVENTS

Personal Property Tax Determination

During November 2012, the Ohio Department of Taxation issued a final determination involving three petitions that contested personal property tax valuation assessments applicable to a corporation that conducts business within the Village. The determination results in a total refund due to the corporation of \$1,559,294 from seven units of local governments. The Village of Addyston is the local taxing District in which the corporation does business.

On March 18, 2014, the Village made payments to Hamilton County totaling \$161,560 to pay the Village's portion of the settlement.

Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Members of Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Addyston, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated September 10, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Controls Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion(s) on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2013-02 through 2013-05.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 10, 2014.

Entity's Response to Findings

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, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Cincinnati, Ohio
September 10, 2014

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDING NUMBER 2013-01

Material Weakness - Financial Reporting

We identified misstatements in the financial statements that were not initially identified by the Village's internal control. Numerous audit adjustments were necessary to correct errors in the Village's financial statements. In summary, the adjustments made are as follows:

- Audit adjustments for 2012 and 2013 totaling \$76,040 and \$11,107, respectively, were necessary to properly classify receipts to proper line items or to proper funds of the Village.
- Audit adjustments for 2012 and 2013 totaling \$88,144 and \$57,261, respectively, were necessary to properly classify expenditures to proper line items or to proper funds of the Village.
- Audit adjustments for 2012 totaling \$84,752 were necessary to reflect OWDA loan proceeds and related expenditures for payments made on-behalf of the Village by OWDA directly to vendors and for capital related items acquired under the loan.
- Audit adjustments for 2012 and 2013 totaling \$6,217 and \$4,717, respectively, were necessary to properly record property tax receipts at gross amounts offset by recording related fees withheld from property tax settlements to various funds of the Village.
- An audit adjustment for 2012 totaling \$50,000 was necessary to properly classify proceeds from a tax anticipation note that had been recorded as charges for services in the General Fund.
- Audit adjustments for 2012 and 2013 totaling \$100,079 and \$33,618, respectively, were necessary to properly record debt principal and interest payments to proper line items or to proper funds of the Village.
- Audit adjustments for 2012 and 2013 totaling \$10,952 and \$4,028, respectively, were necessary to record receipt or expenditure transactions that had not been recorded on the Village's records or for recorded expenditure transactions that were not properly voided.
- Audit adjustments for 2012 and 2013 totaling \$1,806 and \$12,000, respectively, were necessary to properly record transfers and advances that were incorrectly made or misclassified as transfers on the Village's records.

The presentation of materially correct financial statements is the responsibility of management. Properly presented financial statements and supporting accounting records demonstrate the Village's financial accountability to the public and to the Village Council. The Village should implement internal 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 needed to correct individual fund cash balances to equal audited balances as of December 31, 2013 have been made to the financial records of the Village.

FINDING NUMBER 2013-02

Noncompliance Citation - Negative Cash Balances

Ohio Revised Code, Section 5705.10 provides that money paid into any fund shall be used only for purposes for which such fund is established. A deficit cash balance indicates money from another fund(s) has been used to pay the obligations of the aforementioned funds.

After recording audit adjustments discussed above, the Village had deficit cash balances of as of December 31, 2012 and 2013 as follows:

<u>Year/Fund</u>	<u>Negative Fund Cash Balance</u>
<i>December 31, 2012</i>	
General Fund	\$ (37,331)
Street Construction, Maintenance and Repair Fund	(4,599)
Water Fund	(47,429)
<i>December 31, 2013</i>	
Water Fund	(33,149)

Village’s Response

The Village maintains a Water Fund for operations of the water system and a Water Notes Fund to set aside and accumulate a portion of water charges needed to meet water related debt payments. As of December 31, 2013 the amount in the Water Notes Fund exceeds the negative balance in the Water Fund. The Village will take action to eliminate the negative cash balance in the Water Fund by reducing the amount of charges to the Water Notes Fund to an amount needed to cover debt payments.

FINDING NUMBER 2013-03

Noncompliance Citation - Budgetary

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>2012</i>			
General	\$645,500	\$692,714	\$ (47,214)
Water Notes	-	114,711	(114,711)
<i>2013</i>			
Water Notes	-	35,038	(35,038)

Village’s Response

The Village will attempt to monitor budgetary data more closely in the future.

FINDING NUMBER 2013-04Noncompliance Citation – Budgetary

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

<u>Year/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<i>2012</i>			
Street Construction	\$23,718	\$31,295	(\$7,577)
Permissive Tax	6,826	12,199	(5,373)
Fire Revenue	40,742	68,205	(27,463)
FEMA	9,999	12,019	(2,020)
Boat Ramp	-	100,000	(100,000)
Water Operating	170,190	197,472	(27,282)
<i>2013</i>			
Street Construction	15,704	23,555	(7,851)
Fire Revenue	79,307	79,611	(304)
We Thrive	5,998	6,128	(130)
Road Improvement	8,666	9,446	(780)
Water Operating	91,072	148,353	(57,281)

Village's Response

The Village will attempt to monitor budgetary data more closely in the future.

FINDING NUMBER 2013-05Noncompliance Citation - Budgetary

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>Year/Fund</u>	<u>Actual Resources Available</u>	<u>Appropriations</u>	<u>Variance</u>
<i>2012</i>			
Street Construction	\$23,646	\$31,295	\$(7,649)
Christmas	5,726	6,100	(374)
HCCD Block Grant	867	50,000	(49,133)
Water Operating	144,829	197,472	(52,643)
<i>2013</i>			
Christmas	5,649	6,039	(390)
Boat Ramp	-	100,000	(100,000)
Sewer Operating	164,390	171,440	(7,050)

Village's Response

The Village will attempt to monitor budgetary data more closely in the future.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation
2011-01	Internal controls over financial reporting, audit adjustments.	No	Reissued as finding 2013-01.
2011-02	Negative cash fund balances.	No	Reissued as finding 2013-02.
2011-03	ORC section 5705.41(B), expenditures in excess of appropriations.	No	Reissued as finding 2013-03
2011-04	ORC section 5705.39 appropriations in excess of estimated resources.	No	Reissued as finding 2013-04.
2011-05	ORC section 5705.36(A)(4) appropriations in excess of actual resources	No	Reissued as finding 2013-05.
2011-06	ORC section 5705.41(D) certificate of the fiscal officer	Partially	A management letter comment has been provided.
2011-07	Mayor's court – timely deposits, bank reconciliations, distributions of funds.	Partially	A management letter comment has been provided.



Dave Yost • Auditor of State

VILLAGE OF ADDYSON

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
NOVEMBER 6, 2014**