



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF CLEVES
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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Cleves
Hamilton County
101 North Miami Avenue
Cleves, Ohio 45002

To the Village Council:

We have audited the accompanying financial statements of the Village of Cleves, Hamilton County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As 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, 1999 and 1998, 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 August 29, 2000 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.

This report is intended solely for the information and use of 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, appearing to read "Jim Petro".

Jim Petro
Auditor of State

August 29, 2000

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**VILLAGE OF CLEVES
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$342,256	\$111,333	\$0	\$0	\$453,589
Intergovernmental Receipts	111,089	180,146	0	367,753	658,988
Charges for Services	3,804	80,775	0	0	84,579
Earnings on Investments	34,469	355	0	0	34,824
Fines, Licenses, and Permits	53,756	0	0	0	53,756
Miscellaneous	39,092	29,605	0	0	68,697
Total Cash Receipts	<u>584,466</u>	<u>402,214</u>	<u>0</u>	<u>367,753</u>	<u>1,354,433</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	287,729	92,267		0	379,996
Public Health Services	1,519	0		0	1,519
Community Environment	11,223	0		0	11,223
Basis Utilitiy Services / Contractual	0	143,619		0	143,619
Transportation	87,260	7,957		0	95,217
General Government	146,345	45,987		0	192,332
Capital Outlay	30,486	172,511		367,753	570,750
Total Disbursements	<u>564,562</u>	<u>462,341</u>	<u>0</u>	<u>367,753</u>	<u>1,394,656</u>
Total Receipts Over/(Under) Disbursements	<u>19,904</u>	<u>(60,127)</u>	<u>0</u>	<u>0</u>	<u>(40,223)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In	0	2,605		0	2,605
Transfers-Out	(2,605)	0		0	(2,605)
Total Other Financing Receipts/(Disbursements)	<u>(2,605)</u>	<u>2,605</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>17,299</u>	<u>(57,522)</u>	<u>0</u>	<u>0</u>	<u>(40,223)</u>
Fund cash balances, January 1	<u>114,299</u>	<u>241,162</u>	<u>4,916</u>	<u>0</u>	<u>360,377</u>
Fund Cash Balances, December 31	<u>\$131,598</u>	<u>\$183,640</u>	<u>\$4,916</u>	<u>\$0</u>	<u>\$320,154</u>
Reserves for Encumbrances, December 31	<u>\$6,450</u>	<u>\$1,118</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,568</u>

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

VILLAGE OF CLEVES
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency Fund</u>	
Operating Cash Receipts:			
Charges for Services	\$508,704	\$242,735	\$751,439
Earnings on Investments	602	0	602
Miscellaneous	9,833	0	9,833
	<u>519,139</u>	<u>242,735</u>	<u>761,874</u>
Operating Cash Disbursements:			
Personal Services	208,537	0	208,537
Travel Transportation	6,650	0	6,650
Contractual Services	71,190	229,076	300,266
Supplies and Materials	188,716	0	188,716
Capital Outlay	66,513	0	66,513
	<u>541,606</u>	<u>229,076</u>	<u>770,682</u>
Operating Income/(Loss)	<u>(22,467)</u>	<u>13,659</u>	<u>(8,808)</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	0	14,851	14,851
	<u>0</u>	<u>14,851</u>	<u>14,851</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	9,090	9,090
	<u>0</u>	<u>9,090</u>	<u>9,090</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(22,467)	19,420	(3,047)
Transfers-In	12,637	0	12,637
Transfers-Out	0	(12,637)	(12,637)
	<u>(9,830)</u>	<u>6,783</u>	<u>(3,047)</u>
Fund Cash Balances, January 1	<u>409,491</u>	<u>18,134</u>	<u>427,625</u>
Fund Cash Balances, December 31	<u>\$399,661</u>	<u>\$24,917</u>	<u>\$424,578</u>
Reserve for Encumbrances, December 31	<u>\$7,961</u>	<u>\$0</u>	<u>\$7,961</u>

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

**VILLAGE OF CLEVES
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$303,701	\$147,904	\$0	\$0	\$451,605
Intergovernmental Receipts	121,960	140,124	0	218,277	480,361
Charges for Services	27,901	0	0	0	27,901
Earnings on Investments	24,405	253	0	0	24,658
Fines, Licenses, and Permits	26,238	229,053	0	0	255,291
Miscellaneous	82,746	109,993	0	0	192,739
Total Cash Receipts	<u>586,951</u>	<u>627,327</u>	<u>0</u>	<u>218,277</u>	<u>1,432,555</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	247,328	88,541	0	0	335,869
Public Health Services	1,347	0	0	0	1,347
Community Environment	6,343	0	0	0	6,343
Basis Utilitiy Services / Contractual	19,931	12,192	0	0	32,123
Transportation	16,711	7,591	0	0	24,302
General Government	151,361	182,034	0	0	333,395
Capital Outlay	12,217	34,090	0	218,277	264,584
Debt Service	0	229,053	0	0	229,053
Total Disbursements	<u>455,238</u>	<u>553,501</u>	<u>0</u>	<u>218,277</u>	<u>1,227,016</u>
Total Receipts Over/(Under) Disbursements	<u>131,713</u>	<u>73,826</u>	<u>0</u>	<u>0</u>	<u>205,539</u>
Other Financing Receipts/(Disbursements):					
Transfers-In	0	7,650	0	0	7,650
Transfers-Out	(7,650)	0	0	0	(7,650)
Total Other Financing Receipts/(Disbursements)	<u>(7,650)</u>	<u>7,650</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>124,063</u>	<u>81,476</u>	<u>0</u>	<u>0</u>	<u>205,539</u>
Fund cash balances, January 1	<u>(9,764)</u>	<u>159,686</u>	<u>4,916</u>	<u>0</u>	<u>154,838</u>
Fund Cash Balances, December 31	<u>\$114,299</u>	<u>\$241,162</u>	<u>\$4,916</u>	<u>\$0</u>	<u>\$360,377</u>
Reserves for Encumbrances, December 31	<u>\$3,262</u>	<u>\$847</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,109</u>

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

**VILLAGE OF CLEVES
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
Operating Cash Receipts:			
Charges for Services	\$545,412	\$235,341	\$780,753
Miscellaneous	48,459	0	48,459
Total Operating Cash Receipts	<u>593,871</u>	<u>235,341</u>	<u>829,212</u>
Operating Cash Disbursements:			
Personal Services	182,295	0	182,295
Travel Transportation	10,153	0	10,153
Contractual Services	66,692	218,165	284,857
Supplies and Materials	214,008	0	214,008
Capital Outlay	221,505	0	221,505
Total Operating Cash Disbursements	<u>694,653</u>	<u>218,165</u>	<u>912,818</u>
Operating Income/(Loss)	<u>(100,782)</u>	<u>17,176</u>	<u>(83,606)</u>
Non-Operating Cash Receipts:			
Debt Proceeds	175,000	0	175,000
Other Non-Operating Cash Receipts	0	8,158	8,158
Total Non-Operating Cash Disbursements	<u>175,000</u>	<u>8,158</u>	<u>183,158</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	6,515	6,515
Total Non-Operating Cash Disbursements	<u>0</u>	<u>6,515</u>	<u>6,515</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	74,218	18,819	93,037
Transfers-In	12,494	0	12,494
Transfers-Out	0	(12,494)	(12,494)
Net Receipts Over/(Under) Disbursements	86,712	6,325	93,037
Fund Cash Balances, January 1	<u>322,779</u>	<u>11,809</u>	<u>334,588</u>
Fund Cash Balances, December 31	<u>\$409,491</u>	<u>\$18,134</u>	<u>\$427,625</u>
Reserve for Encumbrances, December 31	<u>\$171</u>	<u>\$0</u>	<u>\$171</u>

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

**VILLAGE OF CLEVES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Cleves, Hamilton County, (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 general governmental services, including water and sewer utilities, park operations (leisure time activities), 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).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Village's investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. 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 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 Funds:

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

Special Street Fund - This fund receives real estate tax monies to fund street construction and maintenance.

VILLAGE OF CLEVES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness.

4. Capital Project Funds

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

State Issue II Fund - This fund receives state grant money for street renovations.

5. Enterprise Funds

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

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

Water Works Loan Fund - This fund receives the proceeds from a Water Works loan. The proceeds are used for the construction of new water lines and the interest on the debt.

6. Fiduciary Funds (Agency Funds)

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

Metropolitan Sewer District Agency Fund - This fund receives charges for services from residents to cover the cost of providing sewers. The Village bills and collects this money from residents and then forwards receipts to the Metropolitan Sewer District. The Village receives a seven percent administrative fee for billing and collecting funds for the Sewer District.

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 CLEVES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting. The Village did not encumber all commitments required by Ohio law.

A summary of 1999 and 1998 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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 444,732	\$ 488,002
STAROhio	<u>300,000</u>	<u>300,000</u>
Total deposits and investments	<u>\$ 744,732</u>	<u>\$ 788,002</u>

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

Investments: Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

VILLAGE OF CLEVES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 522,152	\$ 584,466	\$ 62,314
Special Revenue	392,437	404,819	12,382
Capital Projects	367,753	367,753	0
Enterprise	548,410	531,776	(16,634)
Total	<u>\$ 1,830,752</u>	<u>\$ 1,888,814</u>	<u>\$ 58,062</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 634,402	\$ 573,617	\$ 60,785
Special Revenue	632,309	463,459	168,850
Capital Projects	367,753	367,753	0
Enterprise	798,215	549,567	248,648
Total	<u>\$ 2,432,679</u>	<u>\$ 1,954,396</u>	<u>\$ 478,283</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 525,070	\$ 587,054	\$ 61,984
Special Revenue	724,354	645,066	(79,288)
Capital Projects	101,534	218,277	116,743
Enterprise	823,103	781,365	(41,738)
Total	<u>\$ 2,174,061</u>	<u>\$ 2,231,762</u>	<u>\$ 57,701</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 522,214	\$ 466,150	\$ 56,064
Special Revenue	720,680	564,449	156,231
Capital Projects	101,534	218,277	(116,743)
Enterprise	823,102	690,853	132,249
Total	<u>\$ 2,167,530</u>	<u>\$ 1,939,729</u>	<u>\$ 227,801</u>

The Village had actual expenditures in excess of appropriations in the Capital projects fund, and in the Special Revenue funds in 1998. The Village had actual expenditures in excess of appropriations in the Special Revenue funds in 1999.

VILLAGE OF CLEVES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

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 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.

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 175,000	6%
Mortgage Revenue Bonds	800,000	4.56%
Total	\$ 975,000	

The Ohio Water Development Authority (OWDA) loan relates to a engineering costs associated with the design of a new Water Treatment plant. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The Village has been approved to borrow \$238,000. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The OWDA loan has no scheduled interest or principal payable because the Construction of the plant is not complete.

In April 1997, the Village issued \$800,000 in Revenue Notes to construct new water lines. Interest on the loan will be paid in monthly installments of \$3,653, Beginning in May 1997. The principal amount of the loan shall be due and payable on or before April 2000.

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

Year ending December 31:	Water Works Revenue Note	OWDA Loan
1999	\$ 42,121	\$ 175,000
2000	814,873	0
2001	0	0
2002	0	0
2003	0	0
Subsequent	0	0
Total	\$ 856,994	\$ 175,000

**VILLAGE OF CLEVES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. DEBT (Continued)

Lease Commitments

In addition to the debt described above, the Village has entered into a lease with Fifth Third Leasing Company in the amount of \$229,053, for a new fire truck. The title of the related asset transfers to the Village at the end of the lease term. Scheduled lease payments follow:

Year ending December 31:	Fire Truck Lease
1999	\$ 64,671
2000	64,671
2001	64,671
2002	64,671
Total	\$ 258,684

6. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF 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 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. 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. The Village has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

8. SUBSEQUENT EVENTS

In April 2000, the Village reached a settlement in their lawsuit with the Chevron Oil company in the amount of \$2,780,000. A requirement of the settlement required the company to pay for the retirement of the \$800,000 Revenue bonds with PNC bank and to finance approximately 80% of the cost of the construction of a new water treatment plant. The Village entered into a new OWDA loan in the amount of \$2,129,000, for the construction of the new water treatment plant, which includes the

VILLAGE OF CLEVES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

8. SUBSEQUENT EVENTS (Continued)

\$175,000 OWDA loan that was outstanding at December 31, 1999. The Village contracted with Titas Construction company in April 2000, for the construction of the new water treatment plant.

9. NONCOMPLIANCE

The Village had the following material instances of noncompliance during 1998 and 1999: a) purchase orders were not used to certify the availability of funds and encumber appropriations in 1999 and 1998; b) Outstanding encumbrances were not properly recorded at December 31, 1999 and 1998; c) Disbursements exceeded appropriations in the Special Revenue fund in 1999; d) Disbursements exceed appropriations in the Special Revenue and Capital projects in 1998; e) Various ordinances and construction files could not be located; f) change orders were not issued for a contract; g) Separate bids were not issued for each class of work on a construction contract.

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

Village of Cleves
Hamilton County
101 North Miami Avenue
Cleves, Ohio 45002

To the Village Council:

We have audited the accompanying financial statements of the Village of Cleves, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 29, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 are described in the accompanying schedule of findings as items 1999-30431-001 to 010. We also noted an immaterial instance of noncompliance that we have reported to the management of the Village in a separate letter dated August 29, 2000.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 the internal control over financial reporting that, in our judgement, could adversely affect the Village'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 accompanying schedule of findings as items 1999-30431-004 to 005, and 1999-30431-011 to 012.

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

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internal control over financial reporting would not necessarily disclose all reportable condition that are considered to be material weaknesses. However, we do not consider the reportable conditions described above to be a material weaknesses.

In addition, we 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 August 29, 2000.

This report is intended for the information and use of 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, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

August 29, 2000

**VILLAGE OF CLEVES
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-30431-001

Finding for Recovery

The Village passed Ordinance 31-1989, dated December 27, 1989, of which Section II states that each Department Head (Supervisor) may accrue up to forty (40) hours of compensatory time within a year (February 1 through January 31) and Section III, states that all compensatory time must be used within those dates specified in Section II and may not be carried over to the next cycle. Contrary to this Ordinance, John Booth, Jr. was paid \$541.23 for 44 hours of comp time in excess of the amount allowed for the period February 1, 1998 through January 31, 1999, and for the period February 1, 1999 through January 31, 2000, John Booth was paid \$473.35 for 37 hours of comp time taken in excess of the allowed amount. During the period February 1, 2000 to June 30, 2000, Mr. Booth, was paid \$53.22 for 4 hours of comp time taken in excess of the allowed amount.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money for public property illegally expended is hereby issued against John Booth, Jr. and the Cincinnati Insurance Company, the bonding company for the Village, jointly and severely, in the total amount of \$1,067.80, and in favor of the Village of Cleves.

FINDING NUMBER 1999-30431-002

Finding for Recovery

The Village passed Ordinance 8-1993, dated June 23, 1993, adopting a police department and employee manual. Section 4.03, A, of the employee manual states that full time employees are eligible for 10 working days of paid vacation leave after one to ten years of services, 15 working days after ten to twenty years of service, and 20 working days after twenty years of service, and Section 4.03, F, states that vacation time will not be carried forward from one year to the next with any unused vacation being paid by check at the regular rate of pay. In December 1993, the Village hired Eric Winhusen as the Utility Supervisor, and per a letter from the Village Clerk dated December 27, 1993, and Council minutes dated January 12, 1994, denied Mr. Winhusen's request to transfer prior years of service for the accumulation of vacation time. Contrary to the provisions of the employee manual and the denial for the transfer of prior years of service, Eric J. Winhusen was paid for 15 rather than 10 days of vacation resulting in an over payment of vacation leave of \$813.23 in 1996, \$833.23 in 1997, \$852.46 in 1998, and \$886.54 in 1999.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money for public property illegally expended is hereby issued against Eric J. Winhusen and the Cincinnati Insurance Company, the bonding company for the Village, jointly and severely, in the total amount of \$3,385.46, and in favor of the Village of Cleves.

FINDING NUMBER 1999-30431-003

Finding for Recovery

The Village passed Ordinance 15-1995, dated November 8, 1995, establishing the position of a full-time police chief. Section 4 of the Ordinance states that the full-time police chief is entitled to two weeks paid vacation leave per year, and Section 5 states that the police chief shall not receive overtime pay. Contrary to this Ordinance, E. Russell Messer was paid for 20 rather than 10 days of vacation resulting in an over payment of vacation leave in 1995 in the amount of \$948, in 1996 in the amount of \$980, in 1997 in the amount of \$1,020, and in 1998 in the amount of \$1,058.48, and paid \$297.69 in overtime pay in 1998.

**VILLAGE OF CLEVES
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDING NUMBER 1999-30431-003 (Continued)

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money for public property illegally expended is hereby issued against E. Russell Messer and the Cincinnati Insurance Company, the bonding company for the Village, jointly and severally, in the total amount of \$4,304.17, and in favor of the Village of Cleves.

FINDING NUMBER 1999-30431-004

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 properly appropriated.

As of December 31, 1999, total fund expenditures were found to exceed total fund appropriations by \$2,412 in the Police pension fund. As of December 31, 1998, total expenditures were found to exceed appropriations by \$116,743 in the Issue II fund, and by \$8,121 in the Police Pension fund. As of October 31, 1998 expenditures exceeded appropriations by \$5,633 in the Police pension fund.

Failure to monitor budgetary accounts and make necessary budgetary amendments could result in deficit fund balances. Therefore, we recommend the Village exercise due care in establishing and monitoring the yearly budget measures at the legal level of control so that appropriations are equal to or more than expenditures when adopted and throughout the year.

FINDING NUMBER 1999-30431-005

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 need 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:

1. 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 and 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.
2. If the amount is less than \$1,000 dollars, 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 did not certify the availability of funds and use purchase orders to certify the availability of funds for 51% and 75% of the expenditures reviewed for 1999 and 1998 respectively, contrary to Ohio Rev. Code, 5705.41 (D), and Ohio Administrative Code, Section 117-5-11(C). Also, Ohio Adm. Code, Section 117-2-13, states, "Each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriation balance producing a declining unencumbered balance. This procedure is to be initiated by an executed purchase order." The purchasing process should be initiated with a

**VILLAGE OF CLEVES
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDING NUMBER 1999-30431-005 (Continued)

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 certifying the availability of funds and encumbering appropriations.

FINDING NUMBER 1999-30431-006

Noncompliance Citation

Ohio Rev. Code, Section 149.351, provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code, Sections 149.38 to 149.42.

In addition, Ohio Rev. Code, Section 149.39, states in part that when records have been approved for disposal, a copy of such records list shall be sent to the Auditor of State. If the Auditor disapproves the action by the Village's records commission in whole or in part, he shall inform the Village's records commission within a period of sixty days and these records shall not be destroyed. Before public records are otherwise disposed of, the Ohio Historical Society shall be informed and given the opportunity for a period of sixty days to select for its custody or disposal such records as it considers to be of continuing historical value.

The Village could not locate various Ordinances for 1993 relating to leave policies and procedures, and the Village could not locate complete fire house construction files. However, alternative auditing procedures were used to address these issues. The Village disposed of records without authorization by the Village's records commission, the Auditor of State and the Ohio Historical Society.

FINDING NUMBER 1999-30431-007

Noncompliance Citation

Ohio Rev. Code, Section 731.14, requires that a contract be entered into in writing with the lowest and best bidder after the advertisement of the proposal for bids. The Village did not have a signed contract for the Spring Street road paving project. We recommend that all contracts be signed by the legislative authority to indicate proper approval and execution of the terms contained within the contract(s).

FINDING NUMBER 1999-30431-008

Noncompliance Citation

Ohio Rev. Code, Section 731.16, states that in the opinion of the legislative officers of the Village, it becomes necessary, in the prosecution of any work or improvement under contract, to make alterations or modifications, in the contract, such alterations or modifications can only be made upon the orders of these individuals. This change order is of no effect until the price to be paid for the work, material, or both has been agreed upon in writing and signed by these individuals and the contractor. The fire house construction project costs exceeded the amount of the original contract and no change orders were recorded and/or executed. We recommend that all changes to contracts be executed by a signed change order as required by the Ohio Rev. Code.

**VILLAGE OF CLEVES
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDING NUMBER 1999-30431-009

Noncompliance Citation

Ohio Rev. Code, Section 153.50, requires that separate bids and contracts are required for each class of work on buildings and other structures. The Village did not bid all separate classes of work for the fire house construction project. We recommend that the legislative authority bid all separate classes of work for all Village construction projects, to be in compliance with the Ohio Revised Code.

FINDING NUMBER 1999-30431-010

Noncompliance Citation

Ohio Rev. Code, Section 735.33, states that the street commissioner or engineer shall have such assistants as the legislative authority or municipal corporation provides, who shall be employed by the street commissioner and serve for such time and compensation as fixed by the legislative authority. Pursuant to 1979 Op. Att'y Gen. No. 79-111, a public officer or employee may be prohibited from holding another public position. This Attorney General Opinion contains seven basic questions which must be examined before it may be stated that the same person may hold both public positions at the same time. One of the questions is, is one office subordinate to, or in any way a check upon the other. The street commissioner for the Village also serves as the street superintendent, which is a position that is subordinate to the street commissioner representing an incompatibility of office. The Village needs to reassess these two positions and take the necessary measures to correct this situation.

FINDING NUMBER 1999-30431-011

Reportable Condition

Payroll

1. The personnel files reviewed for the period January 1, 1998 to December 31, 1999, did not include all necessary documents. Examples of documentation which were not included but should be, are: W-4 forms, authorization for voluntary deductions, salary rates and hire dates. Failure to maintain all payroll documents could result in incorrect and/or improper payroll deductions. We recommend the Village maintain complete and current personnel files to assist in processing employees' payroll accurately.
2. Proper approvals were not obtained or documented for all of the supervisors' time cards/sheets. The Mayor and/or Council of the Village is responsible for the approval of the Police Chief, Water Works Superintendent and the Street Commissioner's time sheets. Unapproved time sheets could result in misstated attendance records and potentially improper payment of time worked. It is recommended that the Mayor and/or Council approve all supervisors' time cards/sheets prior to submitting to the Clerk for processing to verify the records being submitted for payroll are accurate.
3. The Village has no policy in place for leave request. Failure to utilize leave request forms could result in leave taken in excess of leave earned, and inadequate coverage for the responsibilities of the Village's departments and/or services. The Village should initiate and establish a procedure for the use of leave request forms for all employees of the Village. The leave request form should be completed by employees and approved by supervisor prior to the leave being taken, and the approved request forms should be forwarding to payroll department for filing and processing. Utilization of leave request forms would allow the Village to monitor employees' leave balances and to ensure staffing is adequate to support the Village's activities and services.

**VILLAGE OF CLEVES
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDING NUMBER 1999-30431-011(Continued)

4. The Village vacation policy states that vacation is to be taken from April 1 to March 31, of the following fiscal year, and that any unused vacation leave will be paid at the conclusion of the year at the applicable rate of pay. However, vacation leave pay-outs are made on December 31, of each year, rather than at the end of the specified period for using vacation. The Village should consider coordinating the pay out of unused vacation leave to the time period for which vacation is to be taken to ensure that the correct amounts are being paid out and/or accurate leave balances are maintained.

FINDING NUMBER 1999-30431-012

Reportable Condition

Contracts

The Village does not maintain contract files for individual projects. All documentation for bids should be retained and maintained in a file for the projects to ensure complete and accurate records are available for monitoring the terms and conditions of the Village's contracts. Contract files should include all relevant and pertinent information such as: bid advertisements, proposals, both successful and unsuccessful bids, actual signed contract, all change orders, and board resolutions per the minutes related to the contract. Although some of the information pertaining to contracts was available from different sources, it is not maintained in a central location by project. We recommend that all documentation relating to contracts be maintained in individual project files to assist in the adequate monitoring and administration of contracts.



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF CLEVES

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
SEPTEMBER 12, 2000**