

**VILLAGE OF CLEVES
HAMILTON COUNTY**

REGULAR AUDIT

for the years ended December 31, 2005 and 2004



Mary Taylor, CPA

Auditor of State

Members of Village Council
Village of Cleves
101 North Miami Avenue
Cleves, Ohio 45002

We have reviewed the *Independent Auditors' Report* of the Village of Cleves, Hamilton County, prepared by Foxx & Company, for the audit period January 1, 2004 through December 31, 2005. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 8, 2008

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HAMILTON COUNTY
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INDEPENDENT AUDITORS' REPORT

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, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared its financial statements using accounting practices the Ohio Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume the effects are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do

not substantially conform to the GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts report are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Cleves' combined funds as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Cleves as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also require the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2007 on our consideration of the Village of Cleves' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant and other matters. The purpose of that report is to describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Cincinnati, Ohio
November 30, 2007

A handwritten signature in cursive script that reads "Fox & Company". The signature is written in black ink and is positioned to the right of the typed text.

**VILLAGE OF CLEVES
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, 2005**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 465,565	\$ 103,675	\$ -	\$ -	\$ 569,240
Intergovernmental Receipts	116,189	171,159	-	-	287,348
Charges for Services	20,121	3,733	-	-	23,854
Fines, Licenses, and Permits	140,580	5,547	-	-	146,127
Earnings on Investments	20,938	356	-	-	21,294
Miscellaneous	21,741	29,863	-	-	51,604
Total Cash Receipts	<u>785,134</u>	<u>314,333</u>	<u>-</u>	<u>-</u>	<u>1,099,467</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	448,318	28,521	-	-	476,839
Public Health Services	2,369	-	-	-	2,369
Leisure Time Activities	22,050	24,309	-	-	46,359
Community Environment	10,056	-	-	-	10,056
Transportation	5,000	242,336	-	-	247,336
General Government	237,263	-	-	-	237,263
Debt Service:					
Principal Payments	26,619	28,031	-	80,000	134,650
Interest Payments	15,624	14,902	-	-	30,526
Capital Outlay	-	-	-	45,057	45,057
Total Cash Disbursements	<u>767,299</u>	<u>338,099</u>	<u>-</u>	<u>125,057</u>	<u>1,230,455</u>
Total Receipts Under Disbursements	<u>17,835</u>	<u>(23,766)</u>	<u>-</u>	<u>(125,057)</u>	<u>(130,988)</u>
Other Financing Receipts and (Disbursements):					
Sale of Notes	-	-	-	445,000	445,000
Transfers-In	4,916	7,000	-	-	11,916
Transfers-Out	(7,000)	-	(4,916)	-	(11,916)
Advances - In	13,938	13,938	-	-	27,876
Advances - Out	(13,938)	(13,938)	-	-	(27,876)
Other Financing Uses	-	-	-	(320,000)	(320,000)
Total Other Financing Receipts/(Disbursements)	<u>(2,084)</u>	<u>7,000</u>	<u>(4,916)</u>	<u>125,000</u>	<u>125,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	15,751	(16,766)	(4,916)	(57)	(5,988)
Fund Cash Balances, January 1	<u>215,611</u>	<u>144,325</u>	<u>4,916</u>	<u>88,021</u>	<u>452,873</u>
Fund Cash Balances, December 31	<u>\$ 231,362</u>	<u>\$ 127,559</u>	<u>\$ -</u>	<u>\$ 87,964</u>	<u>446,885</u>
Reserves for Encumbrances, December 31	<u>\$ 9,366</u>	<u>\$ 3,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,858</u>

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

**VILLAGE OF CLEVES
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, 2005**

	<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	\$ 657,652	\$ 458,280	\$ 1,115,932
Total Operating Cash Receipts	<u>657,652</u>	<u>458,280</u>	<u>1,115,932</u>
Operating Cash Disbursements:			
Personal Services	209,715	-	209,715
Fringe Benefits	88,728	-	88,728
Contractual Services	170,351	452,910	623,261
Supplies and Materials	159,717	-	159,717
Capital Outlay	<u>22,489</u>	<u>-</u>	<u>22,489</u>
Total Operating Cash Disbursements	<u>651,000</u>	<u>452,910</u>	<u>1,103,910</u>
Operating Income/(Loss)	<u>6,652</u>	<u>5,370</u>	<u>12,022</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	-	130,921	130,921
Other Debt Proceeds	<u>22,489</u>	<u>-</u>	<u>22,489</u>
Total Non-Operating Cash Receipts	<u>22,489</u>	<u>130,921</u>	<u>153,410</u>
Non-Operating Cash Disbursements:			
Debt Service	77,778	-	77,778
Other Non-Operating Cash Disbursements	<u>-</u>	<u>124,432</u>	<u>124,432</u>
Total Non-Operating Cash Disbursements	<u>77,778</u>	<u>124,432</u>	<u>202,210</u>
Net Receipts Over/(Under) Disbursements	(48,637)	11,859	(36,778)
Fund Cash Balances, January 1	<u>217,758</u>	<u>57,399</u>	<u>275,157</u>
Fund Cash Balances, December 31	<u>\$ 169,121</u>	<u>\$ 69,258</u>	<u>\$ 238,379</u>
Reserve for Encumbrances, December 31	<u>\$ 13,088</u>	<u>\$ -</u>	<u>\$ 13,088</u>

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

**VILLAGE OF CLEVES
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, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 435,688	\$ 110,975	\$ -	\$ -	\$ 546,663
Intergovernmental Receipts	138,227	113,723	-	-	251,950
Charges for Services	38,946	3,162	-	-	42,108
Fines, Licenses, and Permits	130,282	43,610	-	-	173,892
Earnings on Investments	8,495	153	-	-	8,648
Miscellaneous	44,065	24,300	-	-	68,365
Total Cash Receipts	<u>795,703</u>	<u>295,923</u>	<u>-</u>	<u>-</u>	<u>1,091,626</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	458,450	59,190	-	-	517,640
Public Health Services	2,216	-	-	-	2,216
Leisure Time Activities	30,625	21,733	-	-	52,358
Community Environment	14,634	-	-	-	14,634
Transportation	7,400	184,608	-	-	192,008
General Government	230,810	-	-	-	230,810
Debt Service:					
Principal Payments	29,631	31,255	-	-	60,886
Interest Payments	14,209	8,835	-	-	23,044
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,200</u>	<u>5,200</u>
Total Cash Disbursements	<u>787,975</u>	<u>305,621</u>	<u>-</u>	<u>5,200</u>	<u>1,098,796</u>
Total Receipts Under Disbursements	<u>7,728</u>	<u>(9,698)</u>	<u>-</u>	<u>(5,200)</u>	<u>(7,170)</u>
Other Financing Receipts and (Disbursements):					
Sale of Notes	-	-	-	475,000	475,000
Other Debt Proceeds	25,600	20,000	-	-	45,600
Sale of Fixed Assets	84,503	-	-	-	84,503
Transfers-In	-	9,500	-	-	9,500
Transfers-Out	(9,500)	-	-	-	(9,500)
Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(475,000)</u>	<u>(475,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>100,603</u>	<u>29,500</u>	<u>-</u>	<u>-</u>	<u>130,103</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	108,331	19,802	-	(5,200)	122,933
Fund Cash Balances, January 1	<u>107,280</u>	<u>124,523</u>	<u>4,916</u>	<u>93,221</u>	<u>329,940</u>
Fund Cash Balances, December 31	<u>\$ 215,611</u>	<u>\$ 144,325</u>	<u>\$ 4,916</u>	<u>\$ 88,021</u>	<u>\$ 452,873</u>
Reserves for Encumbrances, December 31	<u>\$ 10,471</u>	<u>\$ 4,861</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,332</u>

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

**VILLAGE OF CLEVES
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, 2004**

	<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	\$ 679,030	\$ 403,998	\$ 1,083,028
Total Operating Cash Receipts	<u>679,030</u>	<u>403,998</u>	<u>1,083,028</u>
Operating Cash Disbursements:			
Personal Services	203,765	-	203,765
Fringe Benefits	77,866	-	77,866
Contractual Services	155,916	390,202	546,118
Supplies and Materials	150,423	-	150,423
Capital Outlay	<u>15,166</u>	<u>-</u>	<u>15,166</u>
Total Operating Cash Disbursements	<u>603,136</u>	<u>390,202</u>	<u>993,338</u>
Operating Income/(Loss)	<u>75,894</u>	<u>13,796</u>	<u>89,690</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	<u>-</u>	<u>105,559</u>	<u>105,559</u>
Total Non-Operating Cash Receipts	<u>-</u>	<u>105,559</u>	<u>105,559</u>
Non-Operating Cash Disbursements:			
Debt Service	76,036	-	76,036
Other Non-Operating Cash Disbursements	<u>-</u>	<u>105,675</u>	<u>105,675</u>
Total Non-Operating Cash Disbursements	<u>76,036</u>	<u>105,675</u>	<u>181,711</u>
Net Receipts Over/(Under) Disbursements	(143)	13,681	13,538
Fund Cash Balances, January 1	<u>217,901</u>	<u>43,719</u>	<u>261,620</u>
Fund Cash Balances, December 31	<u>\$ 217,758</u>	<u>\$ 57,399</u>	<u>\$ 275,157</u>
Reserve for Encumbrances, December 31	<u>\$ 18,842</u>	<u>\$ -</u>	<u>\$ 18,842</u>

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

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Cleves, 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, park operations, and police. The Village appropriates general fund money to support a volunteer fire department.

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

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

The Village's money market fund is recorded at amounts reported by PNC Bank. Investments in STAR Ohio (the State Treasurer's investment pool) are recorded at amounts reported by the State Treasurer.

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.

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005 and 2004**

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.

Municipal Road Fund – This fund receives intergovernmental revenue from Hamilton County and is used for construction, maintenance, and repair of Village streets.

Fire Levy Service Fund – This fund receives tax revenue to operate the Village Fire Department.

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 funds:

Timberline Street Project – This fund received note proceeds for the reconstruction of the street.

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

Other Capital Projects – This fund received note proceeds for park improvements.

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.

Garbage and Trash Collection Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005 and 2004**

6. Fiduciary Funds (Trust and 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 received charges for services from residents to cover the cost of providing sewer service. The Village bills and collects this money from residents. Quarterly the Village is billed by the Metropolitan Sewer District. The Village received a seven percent administrative fee for the billing/collecting process.

Mayor's Court Fund – This fund is used to account for the collection and distribution of 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, 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.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005 and 2004**

F. Property, Plant, and Equipment

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash 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>2005</u>	<u>2004</u>
Demand deposits	\$ 463,905	\$ 472,911
Total deposits	<u>463,905</u>	<u>472,911</u>
Money Market	40,550	40,119
STAR Ohio	<u>180,809</u>	<u>215,000</u>
Total investments	<u>221,359</u>	<u>255,119</u>
Total deposits and investments	<u>\$ 685,264</u>	<u>\$ 728,030</u>

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

Investments: Investments in STAR Ohio and money market funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005 and 2004**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 776,534	\$ 803,988	\$ (27,454)
Special Revenue	329,627	335,271	(5,644)
Debt Service	-	-	-
Capital Projects	445,000	445,000	-
Enterprise	<u>734,680</u>	<u>680,141</u>	<u>54,539</u>
Total	<u>\$ 2,285,841</u>	<u>\$ 2,264,400</u>	<u>\$ 21,441</u>

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 905,035	\$ 905,806	(771)
Special Revenue	353,333	325,423	27,910
Debt Service	-	-	-
Capital Projects	400,000	475,000	(75,000)
Enterprise	<u>727,000</u>	<u>679,030</u>	<u>47,970</u>
Total	<u>\$ 2,385,368</u>	<u>\$ 2,385,259</u>	<u>\$ 109</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,003,933	\$ 797,603	\$ 206,330
Special Revenue	444,335	355,529	88,806
Debt Service	4,916	4,916	-
Capital Projects	533,021	445,057	87,964
Enterprise	<u>949,937</u>	<u>741,866</u>	<u>208,071</u>
Total	<u>\$ 2,936,142</u>	<u>\$ 2,344,971</u>	<u>\$ 591,171</u>

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005 and 2004**

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,011,911	\$ 807,946	\$ 203,965
Special Revenue	494,264	310,482	183,782
Debt Service	4,916	-	4,916
Capital Projects	493,221	480,200	13,021
Enterprise	825,601	698,014	127,587
Total	<u>\$ 2,829,913</u>	<u>\$ 2,296,642</u>	<u>\$ 533,271</u>

Contrary to Ohio law, the availability of funds was not certified in certain commitments.

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005 and 2004**

5. DEBT/LEASE

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 860,795	6.41%
Timberline Road Bond Anticipation Note	75,000	3.00%
Park Improvement Bond Anticipation Note	320,000	3.15%
Road Improvement Bond Anticipation Note	125,000	3.10%
Fire Rescue Truck Lease	49,579	5.24%
Ford F250 Staff Vehicle Lease	8,023	4.79%
Ford 650 Chassis/Cab Truck Lease	23,603	4.25%
Bobcat Lease	7,986	4.29%
Dodge Intrepid Police Cruiser Loan	11,550	5.75%
Ford F250 Truck Loan	14,005	3.25%
Ford Explorer Bond	17,321	3.04%
Ford Expedition Loan	21,186	6.00%
Total	<u>\$ 1,534,048</u>	

The Ohio Water Development Authority (OWDA) loan agreement dated March 13, 2000 was originally in the amount of \$1,000,000 however, on March 31, 2003 OWDA credited the Village's account to reflect the amount actually borrowed for the new water plant construction project of \$941,229. The loan was being repaid from July 3, 2001 through March 31, 2003 in semiannual installments of \$40,391 based on the financed amount of \$1,000,000. Beginning April 1, 2003 the loan is being repaid in semiannual installments of \$38,018, including interest, over 25 years. The loan is collateralized by water receipts. The Village has agreed to set water rates sufficient to cover OWDA debt service requirements.

On June 23, 2004, the Village retired a previously issued \$75,000 Timberline Road Bond Anticipation Note and issued a new \$75,000 Timberline Road Bond Anticipation Note at the rate of 2.57%. On June 21, 2005, the Village refunded the \$75,000 note and issued a new note for \$75,000 at a rate of 3.00% with a maturity date of June 24, 2006. The note was issued to pay part of the cost of improvements to the road. The full, faith, credit, and revenue of the Village are pledged as collateral.

On August 24, 2004, the Village retired a previously issued \$400,000 Park Improvement Bond Anticipation Note and issued a new \$400,000 Park Improvement Bond Anticipation Note at a rate of 2.64%. On August 23, 2005, the Village refunded the \$400,000 note and issued a new note for \$320,000 at a rate of 3.15% with the maturity date of August 22, 2006. The note was issued to pay part of the improvements to the Village Park. The full, faith, credit, and revenue of the Village are pledged as collateral.

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005 and 2004**

The \$125,000 Road Improvement Bond Anticipation Note is dated April 5, 2005 and matures April 4, 2006. The note was issued to acquire financing for Westgate Drive Geotechnical Study, Main Street Reconstruction and State Route 264 Improvements in the Village. The full, faith, credit, and revenue of the Village are pledged as collateral.

The Fire Rescue Truck Lease was entered into on February 27, 2002 in the amount of \$115,066 for the lease/purchase of a fire and rescue vehicle. The lease is to end on February 27, 2007. The lease payment is \$26,754, including interest. The Village has a \$1.00 buy-out option at the end of the lease.

The Ford F250 Staff Vehicle Loan was entered into on February 13, 2002 in the amount of \$24,792. The proceeds of the loan were used to purchase a 2002 Ford F250 Super Duty Staff Vehicle for use by the Fire Department. The loan is being repaid in semiannual installments of \$2,822.50, including interest. The loan is unsecured.

The Ford 650 Chassis/Cab Truck Lease was entered into on November 4, 2002 in the amount of \$55,485 for the lease/purchase of a 2003 Ford 650 Chassis/Cab Truck Vehicle with attachments. The lease is to end on November 4, 2007. The lease payment is \$6,217.50, including interest, due semiannually.

The Bobcat Lease was entered into on June 12, 2002 in the amount of \$27,907 for the lease of a Bobcat Skid Steer Loader, Sweeper, and Chipper. The lease is to end on May 12, 2007. The lease payment is \$515.75, including interest, due monthly.

The Dodge Intrepid Police Cruiser Loan was entered into on August 6, 2003 in the amount of \$23,100. The proceeds on the loan were used to purchase a 2004 Dodge Intrepid Police Cruiser. The loan will be repaid in four annual installments of \$6,628, including interest beginning in 2004. The loan is unsecured.

The Ford F250 Truck Loan was entered into on May 24, 2004 in the amount of \$20,000. The proceeds of the loan were used to purchase a 2004 Ford F250 Truck. The loan is being repaid in monthly installments of \$362, including interest. The loan is collateralized by this vehicle.

The Ford Explorer Bond was entered into on July 24, 2004 in the amount of \$25,600. The proceeds of the bond were used to purchase a 2004 Ford Explorer. The bond is being repaid in annual installments of \$9,057, including interest.

The Ford Expedition Loan was entered into on August 16, 2005 in the amount of \$22,489. The proceeds of the loan were used to purchase a 2005 Ford Expedition. The loan will be repaid in 60 monthly installments of \$436, including interest. The loan is unsecured.

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005 and 2004**

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

	<u>OWDA Loan</u>	<u>Timberline Road Note</u>	<u>Park Improvement Note</u>	<u>Road Improvement Note</u>
Year ending December 31:				
2006	\$ 76,036	\$ 77,250	\$ 330,080	\$ 128,875
2007	76,036	-	-	-
2008	76,036	-	-	-
2009	76,036	-	-	-
2010	76,036	-	-	-
2011 - 2015	380,179	-	-	-
2016 - 2020	380,179	-	-	-
2021 - 2025	380,179	-	-	-
2026 - 2030	<u>38,018</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,558,735</u>	<u>\$ 77,250</u>	<u>\$ 330,080</u>	<u>\$ 128,875</u>

	<u>Fire Rescue Truck Lease</u>	<u>Ford F250 Staff Vehicle Loan</u>	<u>Ford 650 Chassis/Cab Truck Lease</u>	<u>Bobcat Lease</u>
Year ending December 31:				
2006	\$ 26,754	\$ 5,645	\$ 12,435	\$ 6,189
2007	26,754	2,765	12,435	1,547
2008	-	-	-	-
2009	-	-	-	-
2010	-	-	-	-
2011 - 2015	-	-	-	-
2016 - 2020	-	-	-	-
2021 - 2025	-	-	-	-
2026 - 2030	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 53,508</u>	<u>\$ 8,410</u>	<u>\$ 24,870</u>	<u>\$ 7,736</u>

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005 and 2004**

Year ending December 31:	Dodge Intrepid Police Cruiser Loan	Ford F250 Truck Loan	Ford Explorer Loan	Ford Expedition Loan	Totals
2006	\$ 6,439	\$ 4,345	\$ 9,058	\$ 5,229	\$ 688,335
2007	6,107	4,345	9,057	5,229	144,274
2008	-	4,345	-	5,228	85,608
2009	-	1,781	-	5,228	83,044
2010	-	-	-	3,422	79,458
2011 - 2015	-	-	-	-	380,179
2016 - 2020	-	-	-	-	380,179
2021 - 2025	-	-	-	-	380,179
2026 - 2030	-	-	-	-	38,018
Total	<u>\$ 12,546</u>	<u>\$ 14,816</u>	<u>\$ 18,115</u>	<u>\$ 24,336</u>	<u>\$ 2,259,274</u>

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2005 and 2004. The Village has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005 and 2004**

Casualty excess-of-loss contracts at December 31, 2005 and 2004 generally protect against individual losses exceeding \$100,000 for policies issued between April 1, 2000 and March 31, 2002; \$125,000 for policies issued between April 1, 2002 and March 31, 2003; \$175,000 for policies issued between April 1, 2003 and March 31, 2005; and \$200,000 for policies issued April 1, 2005 or later.

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

The Pool cedes reinsurance to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Assets	\$ 2,241,661	\$ 2,309,178
Liabilities	<u>(3,457,720)</u>	<u>(3,343,299)</u>
Accumulated deficit	<u>\$ (1,216,059)</u>	<u>\$ (1,034,121)</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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 financial statements of the Village of Cleves, Hamilton County, Ohio (the Village), as of and for the year ended December 31, 2005 and 2004, and have issued our report thereon dated November 30, 2007 wherein we noted the Village follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a

timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2005-001 through 2005-006.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2005-001, 2005-002, 2005-004, 2005-005, and 2005-006 are also material weaknesses.

We noted certain matters that we reported to the Village's management in a separate letter dated November 30, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about 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, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001, 2005-002, 2005-005, and 2005-006.

We did note certain noncompliance or other matters that we reported to management of the Village in a separate letter dated November 30, 2007.

We intend this report solely for 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 that reads "Fox & Company". The signature is written in a cursive, flowing style.

Cincinnati, Ohio
November 30, 2007

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Significant Deficiency/Material Weakness – Financial Statement Presentation

Ohio Administrative Code, Section 117-9-01, and the Uniform Accounting Network (UAN) Chart of Accounts establish line item accounts for posting receipts and disbursements. A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements.

The Clerk/Treasurer did not always accurately post receipts and disbursements to the Village's accounting system. The following posting errors were noted:

- Principal debt expenditures were posted as Security of Persons & Property and Transportation
- Local Taxes were posted as Intergovernmental Receipts
- Intergovernmental Receipts were posted as Miscellaneous Receipts
- Reserves for encumbrances were not recorded
- Refunding of debt was recorded as Capital Outlay
- Sale of Notes posted as Special Assessments
- Vehicle purchase posted as Contractual Services
- Debt proceeds posted as Charges for Services
- Agency fund activity for Mayor's Court was not included on the financial statements
- Debt proceeds posted as Miscellaneous

Failure to post receipts and disbursements accurately to the ledgers resulted in 64 audit adjustments and reclassification entries to the financial statements. In addition, inaccurate accounting records make it difficult for the Village Council to effectively manage and budget for the Village's activities.

Recommendation

We recommend the Village's Clerk/Treasurer take steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions and AOS Bulletins. Also, budgeted receipts and disbursements should be posted to the ledgers that agree with properly filed budgetary documents with the County Auditor. By exercising accuracy in recording

financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year.

Village's Response

I would just like to note that none of these posting errors resulted in any Fund Adjustments. When I began on UAN, I was left to assign revenue and appropriation account codes on my own with very little help. When I had a doubt about how a revenue should be posted, I would post it to a "Miscellaneous" code within the appropriate fund. I also felt that it was important to identify the debt in the department that was responsible for the debt – hence police cruiser debt was posted under Security of Persons & Property. I know understand that the auditors could care less if the debt is police, fire, or maintenance-related debt. I have since setup principal and interest codes and will identify all debt through these two codes in 2008 and 2009. I will strive to improve these postings in 2008 and 2009.

FINDING NUMBER 2005-002

Significant Deficiency/Material Weakness – Mayor's Court

According to ORC 9.38 public monies must be deposited with the treasurer of the public office or to a designated depository (bank) on the business day following the day of receipt. The Clerk of Courts was not making daily deposits in a timely manner. We found that the monies collected for individuals for the payment of fines were not deposited into the Mayor's Court bank account.

Because funds were not deposited the next business day and there was no written policy on holding the funds beyond the next business day, the Mayor's Court was in violation of ORC Section 9.38.

Recommendation

We recommend that the Mayor's Court deposit monies in a timely manner in accordance with ORC Section 9.38.

Village's Response

The current new Clerk of Courts has been informed of the need to make timelier deposits and has already corrected this finding.

FINDING NUMBER 2005-003

Significant Deficiency – Lack of Segregation of Duties in the Mayor's Court

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. The Clerk of Court was responsible for handling and

depositing cash receipts, reconciling the bank account, posting the cash receipts to the cashbooks, and making monthly disbursements. Giving an employee custodial, record-keeping, authorization responsibilities creates a significant internal control weakness.

Recommendation

Monthly bank reconciliations and lists of outstanding checks, monthly receipts, and disbursement reports should be presented to Council by the Clerk of Court. The documents should be reviewed, initialed, and approved in the minutes by Council.

Village's Response

It is the Village's position that a small Village does not have the financial resources to totally resolve this issue. The new Clerk of Courts currently copies her monthly court reports for the Mayor and Council but these reports are not formally approved in the minutes of Council. The Village will address this issue in Committee and find an appropriate solution.

FINDING NUMBER 2005-004

Significant Deficiency/Material Weakness – Lack of Segregation of Duties in the Water/Sewer Department

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. The Water Clerk was responsible for handling and depositing cash receipts, posting the cash receipts, and making cash disbursements. Giving an employee custodial, record-keeping, and authorization responsibilities creates a significant internal control weakness.

Recommendation

Monthly bank reconciliations and lists of outstanding checks, monthly receipts, and disbursement reports should be presented to Council by the Water Clerk. The documents should be reviewed, initialed, and approved in the minutes by Council.

Village's Response

Board of Public Affairs will receive a copy of report and auditor recommendation. I expect them to find a solution that will satisfy this recommendation.

FINDING NUMBER 2005-005

Significant Deficiency – Material Noncompliance

Estimated Receipts Exceeded Actual Receipts

Ohio Revised Code Section 5705.36(A)(2), allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

The Village had estimated receipts greater than actual receipts in several funds to an extent by which the shortage of actual receipts compared to estimated receipts could reduce the total estimated resources to an amount lower than the appropriations.

2005			
Fund	Estimated Receipts	Actual Receipts	Variance
Permissive	\$ 26,600	\$ 21,650	\$ (4,950)
Municipal Levy	97,938	62,938	(35,000)
Water Works	645,680	622,512	(23,168)

2004			
Fund	Estimated Receipts	Actual Receipts	Variance
Park and Recreation	\$ 23,500	\$ 21,708	\$ (1,792)
Permissive	29,075	26,963	(2,112)
Police Pension Levy	21,850	20,280	(1,570)
Municipal Levy	40,000	-	(40,000)
Water Works	640,000	591,611	(48,389)

Recommendation

We recommend the Village request a reduced amended certificate of estimated resources when it is known that the actual receipts will be less than the estimated receipts and the deficiency will reduce estimated resources below the amount of appropriations.

Village's Response

It was not my practice as a habit to report shortcomings in revenue expectations to the County Auditor. I would track and monitor revenues and caution and control the spending if revenues were not meeting expectations. I now understand that it is important to inform the auditor if revenue estimates are not expected to be met in order to officially adjust appropriations down.

FINDING NUMBER 2005-006

Significant Deficiency – Material Noncompliance

Appropriations Exceeded Estimated Resources

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. As of December 31, 2005 and 2004, the Village had appropriations exceeding estimated resources available for expenditures in the following funds:

2005			
Fund	Estimated Resources	Appropriations	Variance
General	\$ 991,994	\$ 1,003,933	\$ (11,939)
Park and Recreation	27,033	27,533	(500)
Fire Levy	43,473	76,710	(33,237)

2004			
Fund	Estimated Resources	Appropriations	Variance
Park and Recreation	\$ 25,099	\$ 39,308	\$ (14,209)
Drug Law Enforcement	22,076	28,483	(6,407)
Law Enforcement	21,133	21,764	(631)
Fire Levy	72,652	74,177	(1,525)
Water Works	646,500	711,041	(64,541)
Garbage	96,700	99,668	(2,968)

Recommendation

We recommend the Clerk/Treasurer review the Amended Certificates of Estimated Resources and Supplemental Appropriations Measures to ensure that total appropriations from each fund do not exceed the total certified resources available for expenditures.

Village's Response

This finding does surprise me as I believed that I was doing a great job of reporting my additional revenues and requesting the official amended certificates. I do review those amended certificates as a matter of habit, so I cannot adequately respond to this finding without doing the necessary research to find out if I have an adequate explanation for these variances. As mentioned above, I will commit to monitoring these certificates more closely.

FINDING NUMBER 2005-007

Significant Deficiency – Material Noncompliance

Village did not encumber/certify all purchases

Ohio Revised Code Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate needs to be signed only by the subdivision's fiscal officer. Every such contract made without such a certificate shall be null and void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides two exceptions to the above requirements:

- 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 and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Clerk/Treasurer may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$3,000, the Clerk may authorize payment through a Then and Now certificate without affirmation of the Council, if such expenditure is otherwise valid.

Contrary to the above requirement, the availability of funds was not certified for 55 percent of the disbursements tested. Failure to certify the availability of funds and encumber appropriations can result in overspending and negative cash balances.

Recommendation

We recommend the Village obtain approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

Village's Response

It does surprise me that 55% of checked disbursements did not have a valid purchase order or then and now order. I have been using then and nows for several years now. Working with my department heads to secure the proper purchase orders is a never-ending work in progress. We do issue many purchase orders and blankets at the beginning of each year and will continue to do so. They have been doing much better and I am surprised by the 55% figure. As always, I will strive to improve on this figure.

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-30431-001	Ohio Rev. Code 5705.41 (D): Certification of available funds	No	Re-issued as finding number 2005-007



Mary Taylor, CPA
Auditor of State

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
MAY 20, 2008**