

**VILLAGE OF CLEVES
HAMILTON COUNTY, OHIO**

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



Dave Yost • Auditor of State

Village Council
Village of Cleves
101 N. Miami Avenue
Cleves, Ohio 45002

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

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

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

Dave Yost
Auditor of State

June 25, 2014

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**VILLAGE OF CLEVES
HAMILTON COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Village of Cleves
Hamilton County
101 N. Miami Avenue
Cleves, Ohio 45002

To the Members of Village Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Bastin & Company, L L C

Cincinnati, Ohio
May 7, 2014

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<i>Cash Receipts:</i>				
Property and Other Local Taxes	\$ 437,383	\$ 60,046	\$ -	\$ 497,429
Intergovernmental	237,456	190,467	780,362	1,208,285
Charges for Services	15,030	8,176	-	23,206
Fines, Licenses and Permits	119,896	54,278	-	174,174
Earnings on Investments	867	4	-	871
Miscellaneous	15,509	8,375	-	23,884
Total Cash Receipts	826,141	321,346	780,362	1,927,849
<i>Cash Disbursements:</i>				
Current:				
General Government	239,430	5	-	239,435
Security of Person and Property	431,091	80,428	-	511,519
Public Health Services	3,109	-	-	3,109
Leisure Time Activities	2,537	37,251	-	39,788
Community Environment	39,692	-	-	39,692
Basic Utility Service	5,960	20,435	-	26,395
Transportation	62,581	163,662	-	226,243
Capital Outlay	-	7,788	768,364	776,152
Debt Service:				
Redemption of Principal	31,945	12,806	-	44,751
Interest and Fiscal Charges	7,285	3,237	-	10,522
Total Cash Disbursements	823,630	325,612	768,364	1,917,606
Receipts Over (Under) Disbursements	2,511	(4,266)	11,998	10,243
<i>Other Financing Receipts (Disbursements):</i>				
Transfers-In	-	4,900	-	4,900
Transfers-Out	(4,900)	-	-	(4,900)
Total Other Financing Receipts (Disbursements)	(4,900)	4,900	-	-
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(2,389)	634	11,998	10,243
Fund Cash Balances, January 1	346,114	120,988	-	467,102
Fund Cash Balances, December 31				
Restricted	-	121,622	11,998	133,620
Unassigned	343,725	-	-	343,725
Fund Cash Balances, December 31	\$ 343,725	\$ 121,622	\$ 11,998	\$ 477,345

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

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 1,136,449	\$ 953,646	\$ 2,090,095
Fines, Licenses and Permits	4,134	-	4,134
	<u>1,140,583</u>	<u>953,646</u>	<u>2,094,229</u>
<i>Operating Cash Disbursements:</i>			
Personal Services	290,877	-	290,877
Employee Fringe Benefits	115,439	-	115,439
Contractual Services	281,794	986,094	1,267,888
Supplies and Materials	274,630	-	274,630
	<u>962,740</u>	<u>986,094</u>	<u>1,948,834</u>
Operating Income	<u>177,843</u>	<u>(32,448)</u>	<u>145,395</u>
<i>Non-Operating Cash Receipts:</i>			
Sale of Bonds	100,200	-	100,200
Proceeds from OWDA Loans	579,827	-	579,827
Other Non-Operating Receipts	-	70,056	70,056
	<u>680,027</u>	<u>70,056</u>	<u>750,083</u>
<i>Non-Operating Cash Disbursements:</i>			
Capital Outlay	748,670	-	748,670
Redemption of Principal	60,410	-	60,410
Interest and Other Fiscal Charges	45,361	-	45,361
Other Non-Operating Disbursements	-	70,606	70,606
	<u>854,441</u>	<u>70,606</u>	<u>925,047</u>
Net Receipts Over (Under) Disbursements	3,429	(32,998)	(29,569)
Fund Cash Balances, January 1	<u>102,054</u>	<u>85,761</u>	<u>187,815</u>
Fund Cash Balances, December 31	<u>\$ 105,483</u>	<u>\$ 52,763</u>	<u>\$ 158,246</u>

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

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<i>Cash Receipts:</i>				
Property and Other Local Taxes	\$ 430,516	\$ 61,696	\$ -	\$ 492,212
Intergovernmental	124,074	187,325	372,345	683,744
Charges for Services	750	10,826	-	11,576
Fines, Licenses and Permits	220,948	59,918	-	280,866
Earnings on Investments	1,479	10	-	1,489
Miscellaneous	55,517	5,828	-	61,345
	<u>833,284</u>	<u>325,603</u>	<u>372,345</u>	<u>1,531,232</u>
<i>Cash Disbursements:</i>				
Current:				
General Government	323,337	5	-	323,342
Security of Person and Property	427,675	147,121	-	574,796
Public Health Services	2,952	-	-	2,952
Leisure Time Activities	28,896	44,388	-	73,284
Community Environment	38,476	-	-	38,476
Transportation	103,693	207,858	-	311,551
Capital Outlay	21,539	-	372,345	393,884
Debt Service:				
Redemption of Principal	30,823	11,820	-	42,643
Interest and Fiscal Charges	8,416	3,672	-	12,088
	<u>985,807</u>	<u>414,864</u>	<u>372,345</u>	<u>1,773,016</u>
Receipts Over (Under) Disbursements	<u>(152,523)</u>	<u>(89,261)</u>	<u>-</u>	<u>(241,784)</u>
<i>Other Financing Receipts (Disbursements):</i>				
Transfers-In	-	4,000	-	4,000
Transfers-Out	(4,000)	-	-	(4,000)
	<u>(4,000)</u>	<u>4,000</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(156,523)	(85,261)	-	(241,784)
Fund Cash Balances, January 1	<u>502,637</u>	<u>206,249</u>	<u>-</u>	<u>708,886</u>
Fund Cash Balances, December 31				
Restricted	-	120,988	-	120,988
Unassigned	346,114	-	-	346,114
	<u>346,114</u>	<u>-</u>	<u>-</u>	<u>346,114</u>
Fund Cash Balances, December 31	<u>\$ 346,114</u>	<u>\$ 120,988</u>	<u>\$ -</u>	<u>\$ 467,102</u>

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

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

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 1,013,010	\$ 938,969	\$ 1,951,979
Fines, Licenses and Permits	4,020	-	4,020
Total Operating Cash Receipts	<u>1,017,030</u>	<u>938,969</u>	<u>1,955,999</u>
<i>Operating Cash Disbursements:</i>			
Personal Services	243,952	-	243,952
Employee Fringe Benefits	98,449	-	98,449
Contractual Services	296,000	919,192	1,215,192
Supplies and Materials	226,291	-	226,291
Total Operating Cash Disbursements	<u>864,692</u>	<u>919,192</u>	<u>1,783,884</u>
Operating Income	<u>152,338</u>	<u>19,777</u>	<u>172,115</u>
<i>Non-Operating Cash Receipts:</i>			
Sale of Bonds	60,000	-	60,000
Proceeds from OWDA Loans	538,899	-	538,899
Proceeds from OPWC Loans	345,842	-	345,842
Other Non-Operating Receipts	-	92,786	92,786
Total Non-Operating Cash Receipts	<u>944,741</u>	<u>92,786</u>	<u>1,037,527</u>
<i>Non-Operating Cash Disbursements:</i>			
Capital Outlay	956,535	-	956,535
Redemption of Principal	64,480	-	64,480
Interest and Other Fiscal Charges	46,442	-	46,442
Other Non-Operating Disbursements	-	92,236	92,236
Total Non-Operating Cash Disbursements	<u>1,067,457</u>	<u>92,236</u>	<u>1,159,693</u>
Net Receipts Over (Under) Disbursements	29,622	20,327	49,949
Fund Cash Balances, January 1	<u>72,432</u>	<u>65,434</u>	<u>137,866</u>
Fund Cash Balances, December 31	<u>\$ 102,054</u>	<u>\$ 85,761</u>	<u>\$ 187,815</u>

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

**VILLAGE OF CLEVES
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Cleves, Hamilton County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations and police protection. The Village contracts with Miami Township for fire protection services.

The Village participates in Public Entities Pool of Ohio (PEP), a public entity risk-sharing pool. Note 8 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village records certificates of deposit and money market funds at cost.

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

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

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

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

Parks and Recreation Fund - This fund receives permit and services revenue to operate and maintain the Village parks.

3. Capital Projects Funds

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

Grant Construction Fund - This fund uses monies from OPWC state grants to fund construction projects in the Village.

4. Enterprise Funds

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

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

Garbage and Trash Collection Fund - This fund receives charges for services from residents to cover garbage and trash collection service costs.

Water Works Expansion - This fund used monies from OWDA loans for a water main replacement project.

5. Fiduciary Funds (Agency Funds)

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

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

Metropolitan Sewer District Agency Fund - This fund receives charges for services from residents on behalf of the Metropolitan Sewer District of Greater Cincinnati (MSD) to cover the cost of providing sewer service by MSD to residents residing within the Village. The Village remits 93 percent of amounts billed to customers to MSD and retains seven percent as an administrative fee for the billing and collection process.

Mayors Court Fund - This fund receives fines and fees levied for traffic violations as prescribed by Village Ordinance. The funds are distributed to various agencies as prescribed by the Ohio Revised Code.

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

2. Estimated Resources

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

3. Encumbrances

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

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

F. Fund Balance

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

1. Nonspendable

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

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant and Equipment

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

H. Accumulated Leave

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

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

2. EQUITY IN POOLED DEPOSITS

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

	<u>2013</u>	<u>2012</u>
Demand deposits	\$219,687	\$239,874
Certificate of deposit	101,271	101,069
Money market	<u>314,633</u>	<u>313,974</u>
Total deposits	<u>\$635,591</u>	<u>\$654,917</u>

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

3. BUDGETARY ACTIVITY

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

<u>2013 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$ 797,911	\$ 826,141	\$ 28,230
Special Revenue	343,557	326,246	(17,311)
Capital Projects	780,362	780,362	-
Enterprise	<u>1,982,935</u>	<u>1,820,610</u>	<u>(162,325)</u>
Total	<u>\$ 3,904,765</u>	<u>\$ 3,753,359</u>	<u>\$ (151,406)</u>

<u>2013 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General	\$ 1,132,027	\$ 828,530	\$ 303,497
Special Revenue	468,545	325,612	142,933
Capital Projects	768,364	768,364	-
Enterprise	<u>2,259,897</u>	<u>1,817,181</u>	<u>442,716</u>
Total	<u>\$ 4,628,833</u>	<u>\$ 3,739,687</u>	<u>\$ 889,146</u>

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

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 844,597	\$ 833,284	\$ (11,313)
Special Revenue	328,357	329,603	1,246
Capital Projects	393,525	372,345	(21,180)
Enterprise	1,828,717	1,961,771	133,054
Total	<u>\$ 3,395,196</u>	<u>\$ 3,497,003</u>	<u>\$ 101,807</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,336,580	\$ 989,807	\$ 346,773
Special Revenue	504,349	414,864	89,485
Capital Projects	372,345	372,345	-
Enterprise	2,018,950	1,932,149	86,801
Total	<u>\$ 4,232,224</u>	<u>\$ 3,709,165</u>	<u>\$ 523,059</u>

4. COMPLIANCE

- Contrary to Ohio Revised Code Section 5705.39, one fund in 2012 and three funds in 2013 had appropriations in excess of estimated resources.
- Contrary to Ohio Revised Code Section 5705.36(A)(4) the Village did not obtain an amended certificate of estimated resources when actual resources available were known to be less than estimated resources and the deficiency resulted in appropriations exceeding actual resources available in two funds during 2012 and four funds during 2013.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

6. DEBT

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 647,140	6.41%
Various Purpose Refunding and Improvement Bonds, Series 2008	258,172	3.61%
Vehicle Acquisition General Obligation Bonds, Series 2010	14,617	3.50%
OPWC GMRC Water Main Replacement Loan #CB210	285,000	0.00%
OPWC River Rd/Miami Ave Water Main Replacement Loan #CB270	151,069	0.00%
OWDA Elizabethtown Water Main Loan #6227	801,201	1.94%-2.00%
OWDA Elizabethtown Water Main Phase II Loan #6472	317,525	2.00%
Water Main Acquisition General Obligation Bonds, Series 2012	54,700	2.62%
Building Acquisition General Obligation Bonds, Series 2013	<u>100,200</u>	2.80%
Total	<u>\$2,629,624</u>	

The Ohio Water Development Authority (OWDA) Loan was issued on March 13, 2000, for the purpose of constructing a water plant. OWDA approved the final total loan of \$941,229 for this project. This project was completed in 2002. The loan will be repaid semiannually over a period of 25 years at an interest rate of 6.41%.

The Various Purpose Refunding and Improvement Bonds, Series 2008, were issued for the purpose of (i) refunding bonds originally issued for the purpose of paying the cost of a vehicle for the Village and equipment (\$46,000 Vehicle Acquisition Refunding Bonds, Series 2008); (ii) refunding bonds originally issued for the purpose of paying the cost of a vehicle for the police department and equipment (\$17,707 Police Cruiser Refunding Bonds, Series 2008); (iii) refunding bonds originally issued for the purpose of paying the cost of a vehicle for the police department and equipment (\$20,863 Vehicle Acquisition Refunding Bonds, Series 2008); (iv) refinancing notes originally issued for the purpose of paying part of the cost of making improvements to Westgate Street in the Village (\$181,535 Westgate Street Improvement Bonds, Series 2008); (v) refinancing notes originally issued for the purpose of financing Westgate Drive Geotechnical Study, Main Street Reconstruction and State Route 264 Improvements in the Village (\$71,683 Road Improvement Bonds, Series 2008); (vi) refinancing notes originally issued for paying part of the cost of constructing improvements to Timberline Road in the Village (\$60,000 Timberline Road Improvement Bonds Series 2008); and paying issuance expenses. The Bonds were issued in a total amount of \$664,291 and are payable in varying amounts through December 1, 2018.

The Vehicle Acquisition General Obligation Bonds, Series 2010, were issued for the purpose of retiring a \$34,751 Vehicle Acquisition Bond Anticipation Note, Series 2009, which matured on April 1, 2010. The Bonds were issued in a total amount of \$34,741 and are payable in varying amounts through April 1, 2015.

The OPWC Great Miami River Crossing Water Main Replacement Loan #CB210 was issued on July 1, 2011 for the purpose of constructing a water main. OPWC approved up to \$300,000 and, as of December 31, 2013, the Village has drawn down the entire \$300,000 of available funds. Repayment of the loan began in July 2012 and will be repaid over 30 years at an interest rate of 0%.

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

The OPWC River Road and Miami Avenue Water Main Replacement Loan #CB270 was issued on July 1, 2011, for the purpose of constructing a water main. OPWC approved up to \$260,000, and, as of December 31, 2013, the Village has drawn down \$156,278 of available funds. The project is complete, and repayment of the final loan amount of \$156,278 began in January 2013 and will be repaid over 30 years at an interest rate of 0%.

The OWDA Elizabethtown Water Main Loan #6227 was issued in June 2012 for the purpose of constructing a water main. This loan consolidated a prior loan (#6167, also issued in 2012). As of December 31, 2013, \$801,201 of the funds had been disbursed by OWDA for project costs. The project is still in progress as of December 31, 2013, and the loan repayment schedule will not be finalized until the project is complete and final project costs are known.

The OWDA Elizabethtown Water Main Phase II Loan #6472 was issued in May 2013 for the purpose of constructing a water main. This loan consolidated a prior loan (#6311, also issued in 2013). As of December 31, 2013, \$317,525 of the funds had been disbursed by OWDA for project costs. The project is still in progress as of December 31, 2013, and the loan repayment schedule will not be finalized until the project is complete and final project costs are known.

The Water Main Acquisition General Obligation Bonds, Series 2012, were issued for the purpose of financing the acquisition and construction of a water main replacement for the Village. The bonds were issued in a total amount of \$60,000, at an interest rate of 2.62% annually over 10 years. Principal and interest is paid semi-annually, with the first payment made in 2013 and the final due in October 2022.

The Building Acquisition General Obligation Bonds, Series 2013, were issued for the purpose of financing the acquisition costs of a building to be used for the waterworks department. The bonds were issued in a total amount of \$100,200, at an interest rate of 2.80% annually over 10 years. Principal and interest is paid semi-annually, with the first payment due in 2014 and the final due in October 2023.

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

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

Year Ending December 31:	OWDA Loan	Various Purpose Refunding and Improvement Bond	Vehicle Acquisition General Obligation Bonds	OPWC GMRC Water Main Loan #CB210	OPWC River Rd Miami Ave Water Main Loan #CB270
2014	\$76,036	\$55,838	\$7,568	\$10,000	\$5,209
2015	76,036	56,388	7,564	10,000	5,209
2016	76,036	56,938	-	10,000	5,210
2017	76,036	57,488	-	10,000	5,209
2018	76,036	58,038	-	10,000	5,209
2019-2023	380,180	-	-	50,000	26,046
2024-2028	190,090	-	-	50,000	26,047
2029-2033	-	-	-	50,000	26,046
2034-2038	-	-	-	50,000	26,047
2039-2042	-	-	-	35,000	20,837
Total	<u>\$950,450</u>	<u>\$284,690</u>	<u>\$15,132</u>	<u>\$285,000</u>	<u>\$151,069</u>

Year Ending December 31:	Water Main Acquisition GO Bonds	Building Acquisition GO Bonds	Totals (*)
2014	\$6,900	\$7,016	\$168,567
2015	6,854	12,111	174,162
2016	6,807	12,142	167,133
2017	6,855	12,068	167,656
2018	6,899	12,085	168,267
2019-2023	27,452	60,403	544,081
2024-2028	-	-	266,137
2029-2033	-	-	76,046
2034-2038	-	-	76,047
2039-2042	-	-	55,837
Total	<u>\$61,767</u>	<u>\$115,825</u>	<u>\$1,863,933</u>

(*) Excludes amounts related to the OWDA Elizabethtown Water Main Loan #6227 and the OWDA Elizabethtown Water Main Phase II Loan #6472, which have not been finalized.

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

7. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, including postretirement healthcare and survivor and disability benefits.

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

8. RISK POOL MEMBERSHIP

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	2012	2011
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Assets	<u>\$20,181,216</u>	<u>\$19,175,131</u>

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

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$39,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2013	\$45,277
2012	40,749

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Bastin & Company, LLC

Certified Public Accountants

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

Village of Cleves
Hamilton County
101 N. Miami Avenue
Cleves, Ohio 45002

To the Members of Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Cleves, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated May 7, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Controls Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2013-02 and 2013-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 7, 2014.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and accordingly, we express no opinion on them.

Purpose of this Report

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

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

Cincinnati, Ohio
May 7, 2014

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

FINDING NUMBER 2013-01

Material Weakness - Financial Reporting

We identified misstatements in the financial statements that were not initially identified by the Village’s internal control. Audit adjustments were necessary to correct errors in the Village’s financial statements. The adjustments made are as follows:

- Audit adjustments for 2012 and 2013 totaling \$436,527 and \$490,737, respectively, were necessary to reflect OWDA loan proceeds and related expenditures for payments made on-behalf of the Village by OWDA directly to vendors.
- Audit adjustments for 2013 totaling \$299,744 for revenues and \$287,746 for expenditures were necessary to move OPWC grant related activity from the General Fund to the Grant Construction Fund for the Miami Avenue road improvement project.

The effects of these adjustments have been made to the audited financial statements and Village records.

The presentation of materially correct financial statements is the responsibility of management. Properly presented financial statements demonstrate the Village’s financial accountability to the public and to the Village Council. The Village should implement internal control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements.

Village’s Response

The OWDA loan activity was not recorded on the accounting system of the Village as the activity did not flow through the bank accounts of the Village and information provided by OWDA was not clear or readily available. The audit adjustments have no effect on the overall cash position of the Village. As for the OPWC grant activity, the Village recorded engineering expenditures and reimbursement received from the Three River’s School District in the General Fund, not realizing that it should have been recorded within the Grant Construction Fund. The Village has adjusted its records accordingly and will revise the recording of such transactions in the future.

FINDING NUMBER 2013-02

Noncompliance Citation - Budgetary

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

<u>Year/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<i>2013</i>			
Water Operating	\$1,194,196	\$1,364,233	(\$170,037)
Water Works Expansion	716,339	721,210	(4,871)
Parks and Recreation	73,239	77,239	(4,000)
<i>2012</i>			
Water Operating	828,558	946,358	(117,800)

We recommend that the Village implement procedures to ensure compliance with the requirements of the Ohio Revised Code.

Village's Response

The Village will more closely monitor estimated resources compared to appropriated amounts to ensure compliance in the future.

FINDING NUMBER 2013-03

Noncompliance Citation - Budgetary

Ohio Revised Code Section 5705.36(A)(4) requires that when it is known that actual resources will be less than currently estimated resources, and the deficiency will reduce available resources below the current level of appropriation, an amended certificate of estimated resources should be obtained to reduce estimated resources available for appropriation. In addition, Ohio Revised Code Section 5705.36(A)(5) limits appropriations to estimated resources, or any amendments thereof.

The following funds had estimated resources available that exceeded actual resources available, and the deficiency reduced available resources below the current level of appropriation contrary to Ohio Revised Code Section 5705.36(A)(4) and Ohio Revised Code Section 5705.36(A)(5):

<u>Year/Fund</u>	<u>Actual Resources Available</u>	<u>Appropriations</u>	<u>Variance</u>
<i>2013</i>			
Water Operating	\$1,166,847	\$1,364,233	(\$197,386)
Water Works Expansion	579,889	721,210	(141,321)
Police Pension	24,608	24,650	(42)
State Grants	22,750	45,500	(22,750)
<i>2012</i>			
General	1,335,921	1,336,580	(659)
Water Works Expansion	538,899	558,876	(19,977)

We recommend that the Village implement procedures to ensure compliance with the requirements of the Ohio Revised Code.

Village's Response

The Village will more closely monitor actual resources compared to appropriated amounts to ensure compliance in the future.

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

Finding Number	Finding Summary	Fully Corrected?	Status Explanation
2011-01	ORC Section 5705.41(B) Budgetary expenditures exceeded appropriations	Yes	Condition not evident during current audit period
2011-02	ORC Section 5705.39 Appropriations exceeded estimated resources	No	Condition existed during current audit period, reissued as finding 2013-02
2011-03	ORC Section 5705.36(A)(4) Appropriations exceeded actual resources	No	Condition existed during current audit period, reissued as finding 2013-03



Dave Yost • 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
JULY 8, 2014**