



**VILLAGE OF CLEVES
HAMILTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF CLEVES
HAMILTON COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Cleves, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

July 17, 2002

**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, 2001**

	<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	\$380,492	\$138,330	\$0		\$518,822
Intergovernmental Receipts	128,362	232,126		\$449,871	810,359
Charges for Services	7,780	23,790			31,570
Fines, Licenses, and Permits	68,361				68,361
Earnings on Investments	37,726	1,218			38,944
Miscellaneous	61,949	6,164			68,113
Total Cash Receipts	<u>684,670</u>	<u>401,628</u>		<u>449,871</u>	<u>1,536,169</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	320,371	101,208			421,579
Public Health Services	1,880				1,880
Leisure Time Activities	11,794				11,794
Community Environment	14,186				14,186
Basic Utility Services	14,938				14,938
Transportation	40,642	8,147			48,789
General Government	222,521	93,291			315,812
Capital Outlay	60,263	136,250		586,448	782,961
Debt Service - Principal	9,969				9,969
Debt Service - Interest	2,354				2,354
Total Cash Disbursements	<u>698,918</u>	<u>338,896</u>		<u>586,448</u>	<u>1,624,262</u>
Total Receipts Over/(Under) Disbursements	<u>(14,248)</u>	<u>62,732</u>		<u>(136,577)</u>	<u>(88,093)</u>
Other Financing Receipts and (Disbursements):					
Sale of Notes	45,500			225,000	270,500
Transfers-In		26,000			26,000
Transfers-Out	(26,000)				(26,000)
Total Other Financing Receipts/(Disbursements)	<u>19,500</u>	<u>26,000</u>		<u>225,000</u>	<u>270,500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,252	88,732		88,423	182,407
Fund Cash Balances, January 1	200,800	154,362	4,916	0	360,078
Fund Cash Balances, December 31	<u>\$206,052</u>	<u>\$243,094</u>	<u>\$4,916</u>	<u>\$88,423</u>	<u>\$542,485</u>
Reserves for Encumbrances, December 31	<u>\$6,247</u>	<u>\$11,942</u>	<u>\$0</u>	<u>\$0</u>	<u>\$18,189</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, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$666,741	\$270,770	\$937,511
Total Operating Cash Receipts	<u>666,741</u>	<u>270,770</u>	<u>937,511</u>
Operating Cash Disbursements:			
Personal Services	223,555		223,555
Fringe Benefits	81,670		81,670
Contractual Services	152,993	265,423	418,416
Supplies and Materials	155,353		155,353
Capital Outlay	1,082,914		1,082,914
Total Operating Cash Disbursements	<u>1,696,485</u>	<u>265,423</u>	<u>1,961,908</u>
Operating Income/(Loss)	<u>(1,029,744)</u>	<u>5,347</u>	<u>(1,024,397)</u>
Non-Operating Cash Receipts:			
Proceeds from Loans	1,000,000		1,000,000
Other Non-Operating Receipts		35,839	35,839
Total Non-Operating Cash Receipts	<u>1,000,000</u>	<u>35,839</u>	<u>1,035,839</u>
Non-Operating Cash Disbursements:			
Debt Service - Principal	8,342		8,342
Debt Service Interest	32,050		32,050
Other Non-Operating Cash Disbursements		36,728	36,728
Total Non-Operating Cash Disbursements	<u>40,392</u>	<u>36,728</u>	<u>77,120</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	<u>(70,136)</u>	<u>4,458</u>	<u>(65,678)</u>
Transfers-In	49,935		49,935
Transfers-Out	<u>(40,392)</u>	<u>(9,543)</u>	<u>(49,935)</u>
Net Receipts Over/(Under) Disbursements	(60,593)	(5,085)	(65,678)
Fund Cash Balances, January 1	<u>387,180</u>	<u>32,699</u>	<u>419,879</u>
Fund Cash Balances, December 31	<u>\$326,587</u>	<u>\$27,614</u>	<u>\$354,201</u>
Reserve for Encumbrances, December 31	<u>\$46,927</u>	<u>\$0</u>	<u>\$46,927</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, 2000**

	<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	\$396,707	\$122,608	\$0		\$519,315
Intergovernmental Receipts	126,886	142,450		\$292,590	561,926
Charges for Services	2,820				2,820
Fines, Licenses, and Permits	61,270	800			62,070
Earnings on Investments	49,206				49,206
Miscellaneous	34,630	22,025			56,655
Total Cash Receipts	<u>671,519</u>	<u>287,883</u>		<u>292,590</u>	<u>1,251,992</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	255,493	103,806			359,299
Public Health Services	1,775				1,775
Leisure Time Activities	11,332				11,332
Community Environment	14,539				14,539
Basic Utility Services	13,471				13,471
Transportation	36,298	8,948			45,246
General Government	251,843	98,306			350,149
Capital Outlay	16,866	106,801		292,590	416,257
Total Cash Disbursements	<u>601,617</u>	<u>317,861</u>		<u>292,590</u>	<u>1,212,068</u>
Total Receipts Over/(Under) Disbursements	<u>69,902</u>	<u>(29,978)</u>		<u>0</u>	<u>39,924</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		700			700
Transfers-Out	(700)				(700)
Total Other Financing Receipts/(Disbursements)	<u>(700)</u>	<u>700</u>		<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>69,202</u>	<u>(29,278)</u>		<u>0</u>	<u>39,924</u>
Fund Cash Balances, January 1	<u>131,598</u>	<u>183,640</u>	<u>4,916</u>	<u>0</u>	<u>320,154</u>
Fund Cash Balances, December 31	<u>\$200,800</u>	<u>\$154,362</u>	<u>\$4,916</u>	<u>\$0</u>	<u>\$360,078</u>
Reserves for Encumbrances, December 31	<u>\$26,904</u>	<u>\$1,032</u>	<u>\$0</u>	<u>\$0</u>	<u>\$27,936</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, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$570,884	\$260,958	\$831,842
Miscellaneous	10,801		10,801
Total Operating Cash Receipts	<u>581,685</u>	<u>260,958</u>	<u>842,643</u>
Operating Cash Disbursements:			
Personal Services	189,431		189,431
Fringe Benefits	50,922		50,922
Contractual Services	139,663	241,158	380,821
Supplies and Materials	185,457		185,457
Capital Outlay	2,017,301		2,017,301
Total Operating Cash Disbursements	<u>2,582,774</u>	<u>241,158</u>	<u>2,823,932</u>
Operating Income/(Loss)	<u>(2,001,089)</u>	<u>19,800</u>	<u>(1,981,289)</u>
Non-Operating Cash Receipts:			
Proceeds from Settlement	2,780,000		2,780,000
Other Non-Operating Receipts		57,520	57,520
Total Non-Operating Cash Receipts	<u>2,780,000</u>	<u>57,520</u>	<u>2,837,520</u>
Non-Operating Cash Disbursements:			
Debt Service	800,000		800,000
Other Non-Operating Cash Disbursements		60,930	60,930
Total Non-Operating Cash Disbursements	<u>800,000</u>	<u>60,930</u>	<u>860,930</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(21,089)	16,390	(4,699)
Transfers-In	8,608		8,608
Transfers-Out		(8,608)	(8,608)
Net Receipts Over/(Under) Disbursements	(12,481)	7,782	(4,699)
Fund Cash Balances, January 1	<u>399,661</u>	<u>24,917</u>	<u>424,578</u>
Fund Cash Balances, December 31	<u>\$387,180</u>	<u>\$32,699</u>	<u>\$419,879</u>
Reserve for Encumbrances, December 31	<u>\$6,731</u>	<u>\$0</u>	<u>\$6,731</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, 2001 AND 2000**

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 general governmental services, water and sewer utilities, park operations, and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

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 investment in STAROhio (the State Treasurer's investment pool) is valued 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.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

VILLAGE OF CLEVES
HAMILTON COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Municipal Road Fund

This fund receives intergovernmental revenue from Hamilton County and is used for construction, maintaining and repairing Village streets.

Fire Levy Service Fund

This fund receives tax revenue to operate the Village Fire Department.

3. Debt Service Fund

This fund is 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:

State Issue II Fund

This fund receives state grant money for street renovations.

Timberline Street Project

This fund received note proceeds for the reconstruction of the street.

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, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Fiduciary Funds (Agency Funds)

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

Metropolitan Sewer District Agency Fund

This fund receives charges for services from residents to cover the cost of providing sewer service. The Village bills and collects this money from residents. Quarterly the Village is billed by the Metropolitan Sewer District. The Village receives 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 control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not 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 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF CLEVES
HAMILTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2001	2000
Demand deposits	\$596,686	\$479,957
STAR Ohio	300,000	300,000
Total deposits and investments	\$896,686	\$779,957

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

3. BUDGETARY ACTIVITY

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

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$713,590	\$730,170	\$16,580
Special Revenue	411,919	427,628	15,709
Capital Projects	753,331	674,871	(78,460)
Enterprise	694,513	1,716,676	1,022,163
Total	\$2,573,353	\$3,549,345	\$975,992

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$941,865	\$731,165	\$210,700
Special Revenue	570,700	350,838	219,862
Capital Projects	674,871	586,448	88,423
Enterprise	1,085,077	1,824,196	(739,119)
Total	\$3,272,513	\$3,492,647	(\$220,134)

**VILLAGE OF CLEVES
HAMILTON COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$571,439	\$671,519	\$100,080
Special Revenue	271,022	288,583	17,561
Capital Projects	244,245	292,590	48,345
Enterprise	779,817	3,370,293	2,590,476
Total	<u>\$1,866,523</u>	<u>\$4,622,985</u>	<u>\$2,756,462</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$702,918	\$629,221	\$73,697
Special Revenue	450,543	318,893	131,650
Debt Service	82,787		82,787
Capital Projects	95,382	292,590	(197,208)
Enterprise	1,037,471	3,389,505	(2,352,034)
Total	<u>\$2,369,101</u>	<u>\$4,630,209</u>	<u>(\$2,261,108)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriations for the State Issue II Fund in 2000 and the Water Fund for 2001 and 2000. Also 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 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual 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.

5. SETTLEMENT

In calendar year 2000 the Village received \$2,780,000 from an oil company as a result of a settlement. These proceeds were used to pay off existing debt issued for planning a new water plant, the purchase of a new well field and to assist in the construction of a new water plant.

**VILLAGE OF CLEVES
HAMILTON COUNTY**

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

6. DEBT/LEASE

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$991,658	6.41%
Timberline Road Bond Anticipation Note	125,000	3.70%
Park Improvement Bond Anticipation Note	100,000	3.50%
Police Cruiser Loan	19,398	6.075%
Ambulance Loan	17,019	5.844%
Total	<u>\$1,253,075</u>	

The Ohio Water Development Authority (OWDA) loan agreement dated March 13, 2000 in the amount of \$1,000,000 relates to a new water plant construction project. The loan will be repaid in semiannual installments of \$40,391, 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.

The Timberline Road Bond Anticipation Note is dated June 27, 2001 and matures on June 26, 2002. 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.

The Park Improvement Bond Anticipation Note is dated August 27, 2001 and matures on August 26, 2002. 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.

The Police Cruiser Loan was entered into on January 5, 2001 in the amount of \$24,500. The proceeds of the loan were used to purchase a 2000 Ford Crown Victoria Police Cruiser. The loan is being repaid in monthly installments of \$576, including interest. The loan is unsecured.

The Ambulance Loan was entered into on February 8, 2001 in the amount of \$21,000. The proceeds of the loan were used to purchase a 1996 ambulance. The loan is being repaid in monthly installments of \$492, including interest. The loan is unsecured.

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>
Year ending December 31:			
2002	\$80,783	\$129,625	\$103,500
2003	80,783		
2004	80,783		
2005	80,783		
2006	80,783		
2007-2011	403,917		
2012-2016	403,917		
2017-2021	403,917		
2022-2026	363,525		
Total	<u>\$1,979,191</u>	<u>\$129,625</u>	<u>\$103,500</u>

**VILLAGE OF CLEVES
HAMILTON COUNTY**

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

6. DEBT/LEASE (Continued)

	Police Cruiser Loan	Ambulance Loan	Totals
Year ending December 31:			
2002	\$6,912	\$5,904	\$326,724
2003	6,912	5,904	93,599
2004	6,912	5,904	93,599
2005	576	984	82,343
2006			80,783
2007-2011			403,917
2012-2016			403,917
2017-2021			403,917
2022-2026			363,525
Total	\$21,312	\$18,696	\$2,252,324

Lease Commitment

The Village entered into a lease agreement on March 25, 1998 of \$229,053 for a new fire truck. The interest rate of the lease is 5.05%. The fire truck transfers to the Village at the end of the lease. The Village has one lease payment left, which was paid on March 25, 2002. The lease payment was \$64,671 of which \$61,562 is principal and \$3,109 is interest. The fire truck serves as collateral.

7. 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 Public Employees Retirement System (PERS) of Ohio. OP&F and PERS 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 2001 and 2000, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

Risk Pool Membership

The Village Belongs to the Ohio Municipal League Joint Self-Insurance Program, (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 from covered claims that exceed the members deductibles.

VILLAGE OF CLEVES
HAMILTON COUNTY

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

8. RISK MANAGEMENT (Continued)

Casualty excess-of-loss contracts at December 31, 2000 and 1999 generally protect against individual losses over \$150,000 (\$100,000 for policies issued after March 31, 2000).

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained (deficit) earnings at December 31 (last years available):

	<u>2000</u>	<u>1999</u>
Assets	\$2,958,827	\$4,151,450
Liabilities	<u>3,863,373</u>	<u>3,461,914</u>
Retained (deficit) earnings	<u><u>(\$904,546)</u></u>	<u><u>\$689,536</u></u>



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Cleves, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated July 17, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30431-001 and 2001-30431-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 17, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-30431-001 and 2001-30431-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 17, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

July 17, 2002

VILLAGE OF CLEVES
HAMILTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2001-30431-001

Material Noncompliance Citation / Reportable Condition

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision or taxing unit from making an expenditure unless it has been appropriated. Actual expenditures exceeded appropriations in the following funds by the following amounts:

<u>Year</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
2000	State Issue II Fund	\$95,382	\$292,590	(\$197,208)
2000	Water Fund	714,098	3,303,634	(2,589,536)
2001	Water Fund	726,993	1,692,367	(965,374)

When expenditures exceed appropriations there is a chance of negative fund balances occurring.

The Clerk should deny payment requests exceeding appropriations. The Clerk may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary. Variances in the Water Fund are attributable to the Village not recording an OWDA loan and an oil company settlement proceeds and related expenditures on its records.

FINDING NUMBER 2001-30431-002

Material Noncompliance Citation / Reportable Condition

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

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount is less than \$1,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

FINDING NUMBER 2001-30431-002
(Continued)

Contrary to the above requirement, the availability of funds was not certified for 42% of disbursements tested. Failure to certify the availability of funds and encumber appropriations can result in overspending and negative cash balances. Therefore, we recommend the Village obtain approved purchased 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 OF CLEVES
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-30431-001	Finding for Recovery: John Booth, Jr., a Department Head, was paid excess hours for comp time of \$1,067.80 in violation of Ordinance 31-1989.	No longer valid.	Council passed Ordinance 33-2000 on October 25, 2000, retroactively approving the payment.
1999-30431-002	Finding for Recovery: Eric Winhusen, Utility Supervisor, was paid excess hours for comp time of \$3,385.46, in violation of Ordinance 8-1993.	No longer valid.	Council passed Ordinance 32-2000 on October 25, 2000, retroactively approving the payment.
1999-30431-003	Finding for Recovery: Former Police Chief E. Russell Messer was paid for 20 vacation days instead of 10 and also overtime for a total of \$4,304.17, in violation of Ordinance 15-1995.	No	The Auditor of State and the Village Solicitor forwarded this finding to the Ohio Attorney General. The Village has not yet received payment from the former police chief or the bonding company.
1999-30431-004	Ohio Rev. Code 5705.41(B), expenditures in excess of appropriations.	No	Reissued as finding 2001-30431-001.
1999-30431-005	Ohio Rev. Code 5705.41(D), not encumbering all expenditures.	No	Reissued as finding 2001-30431-002.
1999-30431-006	Ohio Rev. Code 149.351, disposed of or could not locate records.	Yes	
1999-30431-007	Ohio Rev. Code 731.14, Village did not have a signed contract for street repaving.	Yes	
1999-30431-008	Ohio Rev. Code 731.16, Village did not have change orders for contracts.	Yes	
1999-30341-009	Ohio Rev. Code 153.50, separate bids required for each class of work on a contract.	Yes	

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30341-010	Ohio Rev. Code 735.33, Street Commissioner also acting as Street Superintendent.	Yes	
1999-30341-011	Various recommendations regarding the Village's payroll process.	No	Partially correct, significant improvement in current audit and therefore reissued in the management letter.
1999-30341-012	Reportable condition issued in regards to maintaining contract files.	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
AUGUST 13, 2002**