



**Auditor of State
Betty Montgomery**

VILLAGE OF CLOVERDALE
PUTNAM COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Cloverdale
Putnam County
201 Mahoning Street, P.O. Box 37
Cloverdale, Ohio 45827-0037

To the Village Council:

We have audited the accompanying financial statements of the Village of Cloverdale, Putnam County, (the Village) as of and for the years ended December 31, 2002 and 2001. 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 audits.

We conducted our audits 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 audits provide 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, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2003 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 audits.

Village of Cloverdale
Putnam County
Independent Accountants' Report
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 19, 2003

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$5,985		\$5,985
Intergovernmental Receipts	41,770	\$6,285	48,055
Earnings on Investments	3,012	116	3,128
Miscellaneous	2,345		2,345
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	53,112	6,401	59,513
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	2,989		2,989
Public Health Services	31		31
Leisure Time Activities	13,638		13,638
Basic Utility Services	3,553		3,553
Transportation	1,867	2,194	4,061
General Government	22,821		22,821
Debt Service:			
Principal Payments	2,432		2,432
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	47,331	2,194	49,525
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	5,781	4,207	9,988
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	86,827	39,892	126,719
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$92,608	\$44,099	\$136,707
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserves for Encumbrances, December 31	\$10,481		\$10,481
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF CLOVERDALE
PUTNAM 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>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$4,864		\$4,864
Intergovernmental Receipts	42,735	\$6,175	48,910
Donations	7,799		7,799
Fines, Licenses, and Permits	15		15
Earnings on Investments	4,833	186	5,019
Miscellaneous	480		480
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	60,726	6,361	67,087
Cash Disbursements:			
Current:			
Security of Persons and Property	3,056		3,056
Public Health Services	30		30
Leisure Time Activities	8,328		8,328
Basic Utility Services	6,761		6,761
Transportation	17,080	240	17,320
General Government	34,780		34,780
Debt Service:			
Principal Payments	2,432		2,432
Capital Outlay	5,500		5,500
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	77,967	240	78,207
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	(17,241)	6,121	(11,120)
Other Financing Receipts and (Disbursements):			
Transfers-In		742	742
Transfers-Out	(742)		(742)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(742)	742	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(17,983)	6,863	(11,120)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	104,810	33,029	137,839
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>
	\$86,827	\$39,892	\$126,719
Reserves for Encumbrances, December 31	<hr/>	<hr/>	<hr/>

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

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Cloverdale, Putnam County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services and park operations.

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.

Certificates of deposit are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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 CLOVERDALE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

E. Budgetary Process

The Ohio Revised Code requires that each fund 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. The Village did not use the encumbrance method of accounting. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2002 and 2001 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.

2. EQUITY IN POOLED CASH

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

	<u>2002</u>	<u>2001</u>
Demand deposits	\$51,707	\$41,469
Certificates of deposit	85,000	85,250
Total deposits	<u>\$136,707</u>	<u>\$126,719</u>

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

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,363	\$53,112	\$4,749
Special Revenue	5,413	6,401	988
Total	\$53,776	\$59,513	\$5,737

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$135,457	\$57,812	\$77,645
Special Revenue	45,288	2,194	43,094
Total	\$180,745	\$60,006	\$120,739

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,138	\$60,726	\$13,588
Special Revenue	5,918	7,103	1,185
Total	\$53,056	\$67,829	\$14,773

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$151,948	\$78,709	\$73,239
Special Revenue	34,592	240	34,352
Total	\$186,540	\$78,949	\$107,591

4. COMPLIANCE

- The Village Clerk did not certify the availability of funds as required by Ohio Revised Code § 5705.41(D)
- The Village Clerk did not keep accurate records of all money received and disbursed by the Village, as required by Ohio Revised Code § 733.28

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. 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.

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal
Ohio Public Works Commission Loan	\$38,917

The Ohio Public Work Commission (OPWC) loan is an interest free loan and relates to the Mahoning Street Storm Sewer and Paving Project. The loan was originally in the amount of \$48,647. The loan is being repaid in semiannual principal installment of \$1,216 over 20 years beginning in 1999.

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

Year ending December 31:	OPWC Loan
2003	\$1,216
2004	2,432
2005	2,432
2006	2,432
2007	2,432
2008-2012	12,162
2013-2017	12,162
2018-2019	3,649
Total	\$38,917

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RETIREMENT SYSTEMS

A. Public Employees Retirement System

The Village's official and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides 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 2002 and 2001, members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

B. Social Security

Effective July 1, 1991, all employee not otherwise covered by the Ohio Public Employees Retirement System have an option to choose Social Security or the Ohio Public Employees Retirement System. As of December 31, 2002, all member of Village Council have elected Social Security. The Village's liability is 6.2 percent of wages paid.

8. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5 percent of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5 percent of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55 percent and 65 percent of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65 percent is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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**Auditor of State
Betty Montgomery**

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

Village of Cloverdale
Putnam County
201 Mahoning Street, P.O. Box 37
Cloverdale, Ohio 45827-0037

To the Village Council:

We have audited the accompanying financial statements of the Village of Cloverdale, Putnam County, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 19, 2003. We conducted our audits 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 audits 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 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 19, 2003.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 August 19, 2003.

Village of Cloverdale
Putnam County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 19, 2003

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Revised Code § 733.28 states the Village Clerk shall keep the books of the Village, exhibiting accurate statements of all money received and expended, of all the property owned by the Village and income derived therefrom.

Testing showed several deficiencies in the Village's financial records:

- Amounts posted to the receipts and appropriation ledgers did not always agree to the cash journal.
- Financial statements as completed by the Village did not always agree to the cash journal, receipt and appropriation ledgers.
- Budgeted receipts and appropriations were not posted to the receipt and appropriation ledgers

These deficiencies and omissions resulted in inaccurate and incomplete information given to Village management. Several audit adjustments were necessary to correct footing errors and bring the financial statements in agreement with the supporting records.

We recommend the Village either utilize a computerized record keeping system (i.e. UAN) which would automatically keep the records in agreement and require budgeted figures to be posted; or if continuing to keep books manually - post all budgeted figures as required, reconcile the cashbook to the ledgers monthly, and reconcile the financial statements at year end to the cashbook and ledgers. In addition, Council should be monitoring the Village records for agreement.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - 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 purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

FINDING NUMBER 2002-002
(Continued)

- B. If the amount involved is less than \$1000 (\$3000 effective April 2003), the fiscal officer may authorize it to be paid without the affirmation of Council, if such expenditure is otherwise valid.

None of the Village transactions were certified by the Clerk/Treasurer. In addition, the Village had \$10,481 in outstanding purchase commitments as of December 31, 2002 that were not certified at year end. The accompanying financial statements have been adjusted to reflect the \$10,481 as an outstanding encumbrance in the General Fund as of December 31, 2002.

Certification is not only required by Ohio law but is also a key control in the disbursement process to help assure that purchase commitments receive prior approval and to help reduce the possibility of Village funds being over expended. To improve controls over disbursements we recommend all Village disbursements receive prior certification of the Clerk and the Village Council periodically review the expenditures made to ensure they are certified by the Clerk and recorded against appropriations.

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30269-001	ORC § 5705.41(D) Certification of funds	No	Finding has not been corrected and is repeated in this report as Finding 2002-002.
2000-30269-002	ORC § 5705.41(B) Expenditures exceeded appropriations	No	Finding has been partially corrected and is included in the management letter.
2000-30269-003	Deficiencies in records	No	Finding has not been fully corrected and is repeated in this report as Finding 2002-001.



**Auditor of State
Betty Montgomery**

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 CLOVERDALE

PUTNAM COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 11, 2003**