



Dave Yost • Auditor of State

VILLAGE OF CLOVERDALE
PUTNAM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type, and related notes of the Village of Cloverdale, Putnam County, Ohio (the Village), as of and for the years ended December 31, 2014 and 2013.

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 opinions.

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

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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Additional Opinion Qualification and Unmodified Opinions* paragraphs below.

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, 2014 and 2013, or changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

The Village's Special Revenue cash disbursements are reported as \$46,774 for the year ended December 31, 2014. We were unable to obtain sufficient appropriate audit evidence supporting \$5,576, which is 12 percent of the amounts recorded as Special Revenue operating cash disbursements for 2014 and were unable to determine whether these transactions pertain to the Village and have been properly classified as to fund and function. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Special Revenue Funds of the Village of Cloverdale, Putnam County, Ohio as of December 31, 2014, and its combined cash receipts and disbursements for the year 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the General and Capital Projects Funds as of December 31, 2014 and the General and Special Revenue Funds of the Village of Cloverdale, Putnam County, Ohio as of December 31, 2013, 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 July 7, 2016, 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.

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Dave Yost
Auditor of State

Columbus, Ohio

July 7, 2016

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**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$5,115			\$5,115
Intergovernmental	20,603	\$44,519	\$14,902	80,024
Fines, Licenses and Permits	1,023			1,023
Earnings on Investments	28	46		74
Miscellaneous	7,902			7,902
<i>Total Cash Receipts</i>	<u>34,671</u>	<u>44,565</u>	<u>14,902</u>	<u>94,138</u>
Cash Disbursements				
Current:				
Security of Persons and Property	10,072	27,248		37,320
Basic Utility Services	5,884	3,970		9,854
Transportation	6,299	3,099		9,398
General Government	43,828			43,828
Capital Outlay		12,457	14,902	27,359
Debt Service:				
Principal Retirement	3,649			3,649
<i>Total Cash Disbursements</i>	<u>69,732</u>	<u>46,774</u>	<u>\$14,902</u>	<u>131,408</u>
<i>Excess of Disbursements over Receipts</i>	<u>(35,061)</u>	<u>(2,209)</u>		<u>(37,270)</u>
Other Financing Receipts (Disbursements)				
Transfers In	23,751			23,751
Transfers Out		(23,751)		(23,751)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>23,751</u>	<u>(23,751)</u>		
<i>Net Change in Fund Cash Balances</i>	(11,310)	(25,960)		(37,270)
<i>Fund Cash Balances, January 1</i>	<u>65,263</u>	<u>56,797</u>		<u>122,060</u>
Fund Cash Balances, December 31				
Restricted		30,837		30,837
Unassigned	53,953			53,953
<i>Fund Cash Balances, December 31</i>	<u>\$53,953</u>	<u>\$30,837</u>		<u>\$84,790</u>

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

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$2,833		\$2,833
Intergovernmental	21,070	\$28,406	49,476
Fines, Licenses and Permits	1,023		1,023
Earnings on Investments	78		78
Miscellaneous	2,665		2,665
<i>Total Cash Receipts</i>	<u>27,669</u>	<u>28,406</u>	<u>56,075</u>
Cash Disbursements			
Current:			
Security of Persons and Property	42,628	408	43,036
Basic Utility Services	3,749	1,373	5,122
Transportation		212	212
General Government	27,117		27,117
Capital Outlay		20,000	20,000
Debt Service:			
Principal Retirement	1,216		1,216
<i>Total Cash Disbursements</i>	<u>74,710</u>	<u>21,993</u>	<u>96,703</u>
<i>Net Change in Fund Cash Balances</i>	(47,041)	6,413	(40,628)
<i>Fund Cash Balances, January 1</i>	<u>112,304</u>	<u>50,384</u>	<u>162,688</u>
Fund Cash Balances, December 31			
Restricted		56,797	56,797
Unassigned	65,263		65,263
<i>Fund Cash Balances, December 31</i>	<u><u>\$65,263</u></u>	<u><u>\$56,797</u></u>	<u><u>\$122,060</u></u>

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, 2014 AND 2013**

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 Cloverdale, Putnam County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services and park operations. The Village contracts with the Putnam County Sheriff's department to provide security of persons and property. The Village receives fire protection services from the Village of Ottoville.

The Village participates in the Ohio Plan Risk Management Inc., a public risk pool. Note 8 to the financial statements provide 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 values certificates of deposit 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies – (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.

Community Development Block Grant Fund (CDBG) Fund – The Village received grant proceeds passed through the Putnam County Commissioners for the Sidewalk Project.

Ohio Department of Public Safety (ODOP) Fund – The Village received grant proceeds from the State of Ohio for the tornado cleanup project.

3. Capital Project Funds

This fund accounts for and reports financial resources that are restricted 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 Fund:

Ohio Public Works Commission (OPWC) Fund – The Village received grant proceeds from the State of Ohio for the Second Street Project and for the Park Sewer Project.

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 level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The Village did not approve appropriations for 2014 or 2013.

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 approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not approve appropriations for 2014 or 2013, consequently no encumbrances could have been made.

A summary of 2014 and 2013 budgetary activity appears in Note 4.

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

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.

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.

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(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:

	2014	2013
Demand Deposits	\$14,790	\$52,060
Certificate of Deposits	70,000	70,000
Total deposits	\$84,790	\$122,060

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, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$20,632	\$58,422	\$37,790
Special Revenue		44,565	44,565
Capital Projects		14,902	14,902
Total	\$20,632	\$117,889	\$97,257

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$69,732	(\$69,732)
Special Revenue	36,208	70,525	(34,317)
Capital Projects	14,902	14,902	
Total		\$155,159	(\$104,049)

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$16,249	\$27,669	\$11,420
Special Revenue	7,500	28,406	20,906
Total	\$23,749	\$56,075	\$32,326

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity – (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$74,710	(\$74,710)
Special Revenue	20,000	21,993	(1,993)
Total		\$96,703	(\$76,703)

Contrary to Ohio law, in 2014 and 2013:

- The Village posted monies to incorrect funds;
- Appropriations were not approved by Council;
- Expenditures exceeded appropriations in all funds;
- Appropriations were incorrectly posted in various funds; and
- Appropriations exceeded estimated resources in various funds.

4. 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.

5. Transfer

The Federal Emergency Management Agency Fund transferred \$23,751 to the General Fund in 2014 to reimburse for tornado expenses incurred in 2013.

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

6. Debt

The Village had \$9,728 of Ohio Public Works Commission debt outstanding at December 31, 2014.

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

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Debt – (Continued)

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OPWC Loan
2015	\$1,216
2016	2,432
2017	2,432
2018	2,432
2019	1,216
Total	\$9,728

Contrary to the debt agreement with OPWC, the Village made the debt payments after the due dates in 2014 and 2013.

7. Retirement System

The Village’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants’ gross salaries. The Village has paid all contributions required through December 31, 2014.

8. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan’s property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

8. Risk Management – (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

9. Miscellaneous Revenue

Miscellaneous revenues in the General Fund in 2014 primarily consisted of insurance reimbursements for storm damage and revenues from the sale of scrap materials accumulated after the storm.

10. Compliance

The Village had illegal disbursements in 2014 and 2013 of \$9,303 and \$1,611, respectively, due to the Village not providing sufficient evidence to supporting disbursements, the Fiscal Officer making payments late which resulted in penalties and late fees, and for overpayment of compensation to Council Members.

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Dave Yost • Auditor of State

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

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

To the 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 cash balances, receipts, and disbursement by fund type of the Village of Cloverdale, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated July 7, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting certain amounts recorded as Special Revenue cash disbursements in 2014.

Internal Control 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 opinions 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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2014-004 through 2014-006 2014-008, and 2014-009 to be material weaknesses.

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 2014-001 through 2014-003 and 2014-006 through 2014-010.

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 black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

July 7, 2016

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Finding for Recovery – Lack of Supporting Documentation

Ohio Rev. Code § 149.351 states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under rules adopted by the records commission provided under sections 149.38 to 149.42 of the Revised Code.

In addition, **1982 Op. Atty. Gen No. 82-006** addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of **State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides guidance as to what may be construed as a public purpose. Permissible expenditures further a public purpose, even if an incidental private end is advanced.

The determination of what constitutes a public purpose is primarily a legislative function. As such, the decision to expend public funds "...must be made in accordance with the procedural formalities governing the exercise of legislative power. Specially, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only." 1982 Op. Atty. Gen. No. 82-006.

During the period January 1, 2013 to December 31, 2015, the Village wrote checks to the following vendors which totaled \$13,684.63, which were paid from statements or for which no documentation was maintained to support the expenses.

Unsupported amounts are as follows:

Vendor	2013	2014	2015	Total
A & D Tire	\$265.88	\$1,026.68	\$965.51	\$2,258.07
Car Quest	54.49			54.49
Continental American Legion	200.00			200.00
James Logan		2,500.00		2,500.00
LeRoy Barnhart		100.00		100.00
Norfolk and Southern		60.00		60.00
Putnam County Sentinel	250.65			250.65
REAL		450.00		450.00
Shell	468.11	2,915.75	3,315.18	6,699.04
Siefker Sawmill			860.00	860.00
Office Depot	81.67			81.67
Dell	117.69			117.69
Express Mart		37.02		37.02
Meijer		16.00		16.00
Grand Totals	\$1,438.49	\$7,105.45	\$5,140.69	\$13,684.63

Without proper supporting documentation, it is not possible to determine if the expenditures included items that would be considered a proper public purpose. The failure to maintain adequate support for these expenditures resulted in a loss of accountability over the Village's finances.

**FINDING NUMBER 2014-001
 (Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds, or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount for such expenditure.

Gwenn Spencer, Fiscal Officer, and Judd Spencer, Mayor, signed the warrants resulting in improper payments of Village funds. In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code § 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against Gwenn Spencer, her bonding company, Ohio Plan Risk Management, Inc., and Judd Spencer, jointly and severally, in the amount of \$13,684 for unsupported disbursements, and in favor of the Village’s General Fund in the amount of \$4,325 and the Village’s Special Revenue Street Construction, Maintenance, and Repair Fund in the amount of \$9,359.

The Village provided a receipt to document the \$200 expenditure paid to the Continental American Legion. Accordingly, the \$200 for the expense for the Continental American Legion was resolved under audit and is no longer owed by the parties noted above.

FINDING NUMBER 2014-002

Finding for Recovery – Late Fees

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is palpably and manifestly arbitrary or incorrect. **1982 Op. Atty. Gen No. 82-006** indicates that the expenditure must be memorialized by duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of States Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

We noted the following in fees resulting from late payments assessed for delinquencies existing during 2015, 2014 and 2013. In addition, we noted three overdraft charges in 2015, which are included below.

Fees/Interest Charges Paid

2013

Various Vendors	\$76.72
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2014

Various Vendors	155.23
S & S Sanitation	1,946.26

2015

Various Vendors	192.42
Overdraft Charges	65.00
S & S Sanitation	570.53
Ohio Department of Taxation	1,490.03
Ohio Attorney General	1,058.71

Grand Total	\$5,554.90
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**FINDING NUMBER 2014-002
 (Continued)**

We do not consider these charges to be for a proper public purpose in the operations of the Village.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Gwenn Spencer, Fiscal Officer, and her bonding company, Ohio Plan Risk Management, Inc., jointly and severally, in the amount of \$5,554 and in favor of the Village of Cloverdale's General Fund in the amount of \$5,516 and the Special Revenue Street Construction, Maintenance and Repair Fund in the amount of \$38.

FINDING NUMBER 2014-003

Finding For Recovery – Overpayment of Council Members

Article XVIII, Section 3, of the Ohio Constitution is a direct grant of power to all municipalities to exercise local self-government, and the Ohio Supreme Court has held that a non-charter municipality may enact an ordinance governing the salary paid to its employees.

In 1997, the Village Council enacted Village Ordinance 162 establishing that Council members be paid \$40.00 per meeting and council president \$42.00 per meeting. In December 2011, the Village Council purportedly enacted Village Ordinance 199 establishing that Council members be paid \$48.00 per month and council president \$54.00 per month, but there was no evidence to document that Ordinance 199 had been passed by Village Council in 2011. In February 2016, the Village Council retroactively approved Ordinance 199.

Ultimately, Council Members were paid for more months than they worked, resulting in an overpayment. The following table represents the amount for 2014 and 2013 that each Council member should have been paid, and the actual amount each Council member was paid:

	<u>Amount Earned</u>	<u>Amount Paid</u>	<u>Overpaid</u>
For the Year Ended December 31, 2014:			
Sharon Barnhart	\$528	\$576	\$48
Mary Ann Smith	576	624	48
Total Overpaid for 2014			<u><u>\$96</u></u>

	<u>Amount Earned</u>	<u>Amount Paid</u>	<u>Overpaid</u>
For the Year Ended December 31, 2013:			
Mary Ann Smith	\$576	\$624	\$48
Milton Parsons	240	288	48
Total Overpaid for 2013			<u><u>\$96</u></u>

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds, or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount for such expenditure. Gwenn Spencer, Fiscal Officer, and Judd Spencer, Mayor, signed the warrants resulting in improper payments of Village funds.

**FINDING NUMBER 2014-003
(Continued)**

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Sharon Barnhart in the amount of \$48, Mary Ann Smith in the amount of \$96, and Milton Parsons in the amount of \$48 and in favor of the General Fund. In addition the Finding for Recovery for public money illegally expended is hereby issued against Gwenn Spencer, Fiscal Officer, her bonding company, Ohio Plan Risk Management, Inc., and Judd Spencer, Mayor, jointly and severally, in the amount of \$192 in favor of the General Fund of the Village of Cloverdale to the extent recovery is not obtained from the Council Members noted above.

FINDING NUMBER 2014-004

Material Weakness

Monitoring of Financial Statements

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The small size of the Village's fiscal operations does not allow for an adequate segregation of duties. The Fiscal Officer performs most accounting functions. It is therefore important Council monitor financial activity closely.

There was no evidence the Council reviewed monthly detailed revenue and disbursement ledgers, budgetary activity, deposits, invoices, or fund balances on a regular basis.

The lack of monitoring by Council contributed to the inaccurate posting of transactions to the financial statements, such as the following:

- Monies spent on-behalf of the Village by Ohio Public Works Commission, in the amount of \$14,902 in 2014 were not posted to the Capital Projects Fund.
- Community Development Block Grant (CDBG) project monies spent on behalf of the Village, in the amount of \$20,000 in 2013, were not posted to the CDBG, Special Revenue Fund.
- \$12,457 spent on-behalf of the Village by the Ohio Department of Public Safety (ODPS) in 2014 to assist in paying off the landfill expenses incurred by the Village from the 2013 tornado, were not posted to the ODPS Special Revenue Fund.
- In 2014, Federal Emergency Management Agency funds were incorrectly posted as miscellaneous revenue in the General Fund when they should have been posted as intergovernmental revenue in the FEMA Special Revenue Fund in the amount of \$23,751.

The financial statements and accounting records were adjusted to correct these and other errors.

We recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Uniform Accounting Network manual. Furthermore, to help ensure the Village's financial statements and notes to the statements are complete and accurate, the Village Council should adopt policies and procedures, to ensure that financial records are routinely reviewed by Council (or a designee) including a review of the financial statements and notes to the financial statements to identify and correct errors and omissions.

FINDING NUMBER 2014-005

Material Weakness

Posting of Transactions and Cash Reconciliations

In order for management to properly monitor the activity of the Village, transactions must be posted in a timely manner and the bank accounts must be reconciled timely to detect errors. The monthly reconciliation of bank account balances to the accounting systems ending fund balance is an important method in detecting errors in the postings of revenues and disbursements and bank account records. After the reconciliation is completed, any errors found should be immediately corrected and month end financial information should be generated by the Fiscal Officer.

The Fiscal Officer did not post receipts and disbursements timely. Many of the transactions were posted several months after the transactions were made and were not posted to the correct fund and line item. In addition, the Fiscal Officer did not reconcile the bank accounts from May 2013 through December 2014. The Village hired an independent accounting firm which found \$12,180 in errors which were subsequently corrected in order to reconcile the accounts as of December 2014.

Failure to post transactions as they occur and to perform month end reconciliations (which reconciles the District's total bank account balances to the general ledger system fund balance total) resulted in posting errors not being detected in a timely manner. It also resulted in the Council not receiving accurate financial information for the Village in 2013 and 2014.

These issues went undetected and uncorrected due to the lack of monitoring by the Village Council.

In an effort to help ensure financial activity of the District is being properly accounted for and reported, we recommend:

- The Fiscal Officer post all receipts and disbursements as they occur.
- The Fiscal Officer perform a bank reconciliation each month.
- The Fiscal Officer present the monthly bank reconciliations to Council as evidence that all bank balances have been reconciled to the UAN fund balance total each month without significant adjusting factors on the reconciliation.
- Council periodically verify items appearing on the monthly bank reconciliation, including, but not limited to authentication of bank account balances, outstanding checks and deposits in transit. The Fiscal Officer's' monthly bank reconciliations should be reviewed, initialed, and approved in the minutes by the Council.
- Council review receipt reports, disbursement reports, and monthly fund balances to determine if transactions are being posted in a timely manner and to the correct line items and funds.

If Council is unable to perform these duties then they should consider assigning the responsibilities to an audit or finance committee of the Council.

FINDING NUMBER 2014-006

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.10 (D)(1) requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose be paid into a special fund for such purpose. Furthermore, money paid into any fund must be used only for the purposes for which such fund is established.

Federal Emergency Management Agency (FEMA) monies of \$23,751 were posted to the General Fund instead of the FEMA Fund in 2014.

This was caused and went undetected because the Village lacked a policy regarding financial review. As a result, the Village's accounting ledgers and financial statements did not correctly reflect the financial activity of the Village. The financial statements and accounting records have been adjusted so these transactions are reflected in the proper funds.

We recommend the Fiscal Officer record federally restricted funds to a special purpose Special Revenue Fund. We further recommend the Council monitor the financial activity of the Village.

FINDING NUMBER 2014-007

Noncompliance Citation

Ohio Public Works Commission (OPWC) Promissory Note for the Village of Cloverdale, Ohio CM31A provides that principal and interest shall be due and payable in equal consecutive semi-annual installments on January 1 and July 1 of each year until maturity. In addition, the promissory note provides that if the recipient shall fail to make any payment when due, and the same is not corrected within thirty days, then the amount of the default shall bear interest of eight percent per annum from the date of default until the date of payment, and the entire principal remaining unpaid, together with all accrued interest and other charges, shall, at the Lender's option, become immediately due and payable and/or the Lender by and through its Director may, in the Director's sole and complete discretion and in accordance with 164.05 of the Ohio Revised Code, direct the County Treasurer to pay the amount due from undivided local government funds due to the Village.

The following semi-annual loan payments of \$1,216 for the interest free loan from the Ohio Public Works Commission (OPWC) were not paid by the due dates and may have incurred 8% interest.

Date Due	Date Paid
2014	
January 1, 2014	March 15, 2014
July 1, 2014	October 28, 2014
2013	
July 1, 2013	September 17, 2013

Making debt payments after the due dates obligates the Village for additional interest costs and could result in the Village being declared in default of the debt and having to pay the entire balance of the loan immediately.

We recommend the Fiscal Officer make debt payments by the required due dates. We further recommend Council monitor the debt payments to help ensure payments are being made as required.

FINDING NUMBER 2014-008

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.38, requires that, on or about the first day of each year, the taxing authority of each subdivision or other taxing unit pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. **Ohio Rev. Code § 5705.41(B)** states no subdivision or taxing unit shall make any expenditure of money unless it has been lawfully appropriated.

Ohio Rev. Code § 5705.41(D)(1) provides 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 for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Village Council did not approve temporary or annual appropriations for 2013. For 2014, there is evidence in the minutes of the Council meetings for March 2014 that an annual appropriation measure was approved, but no amounts were noted in the minutes, the ordinance could not be located, and appropriations were not filed with the county auditor. As a result, expenditures in the following funds in 2013 and 2014, exceeded appropriation since no appropriations were legally adopted and filed with the County Auditor. The remaining funds had grants that were deemed appropriated under Ohio Rev. Code 5705.42, even though the Fiscal Officer did not post the appropriations.

Fund	Appropriated	Disbursements	Difference
2014			
General Fund	\$	\$69,732	\$(69,732)
Street Construction Maintenance and Repair Fund		34,317	(34,317)
2013			
General Fund	\$	\$74,710	\$74,710
Street Construction Maintenance and Repair Fund		1,993	1,993

These problems occurred due to the Officials' lack of knowledge of budgetary law and lack of a sufficient filing system.

In addition, although the Fiscal Officer used purchase orders during 2014 and 2013, expenditures could not be lawfully certified and encumbered since there were no appropriations approved; as a result, all expenditures of the Village were not encumbered. The Fiscal Officer reported encumbrances as of December 31, 2014 and 2013, but they were deemed invalid due to the lack of appropriations.

These errors were not identified and corrected prior to the audit due to deficiencies in the Village's financial statement monitoring. The accompanying budgetary presentation footnote has been adjusted to reflect these errors. Failure to properly certify disbursements and record encumbrances to the budgetary system could result in deficit spending.

**FINDING NUMBER 2014-008
 (Continued)**

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend:

- Council pass appropriations by the required date.
- The Fiscal Officer file the appropriations and any approved amendments with the County Auditor.
- The Fiscal Officer maintain a record of all appropriation ordinances.
- The Fiscal Officer certify funds after checking to ensure there is sufficient appropriations to cover the expenditure.
- Council monitor appropriations and expenditures to ensure funds are not being overspent.

FINDING NUMBER 2014-009

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.40 provides appropriation measures may be amended or supplemented as long as the amendment or supplement complies with all provisions of law governing the taxing authority in making an original appropriation. This has been interpreted to mean the governing body cannot delegate appropriation authority to the Fiscal Officer.

March 13, 2014 minutes indicated Appropriation Ordinance 2014-02 was passed. Village Officials were unable to produce this Appropriation Ordinance for audit and the 2014 appropriations were not filed with the county auditor. There was no indication that appropriations were legally adopted or filed with the County Auditor in 2013. Although appropriations are deemed appropriated for certain grants, the Fiscal Officer did not post appropriations for grants.

These problems occurred due to the Officials' lack of knowledge of budgetary law and lack of a sufficient filing system.

Appropriations were incorrectly posted in the following funds for the following years.

Fund	Appropriated	Amount Posted	Difference
2014			
General Fund	\$	\$61,481	\$61,481
Street Construction Maintenance and Repair Fund		41,000	41,000
Federal Emergency Management Agency	23,751		(23,751)
Department of Public Safety	12,457		(12,457)
Ohio Public Works Commission	14,902		(14,902)

2013			
General Fund	\$	\$127,706	\$127,703
Street Construction Maintenance and Repair Fund		48,600	48,600
State Highway Fund		4,584	4,584
Community Development Block Grant Fund	20,000		(20,000)

The budgetary note to the financial statement has been adjusted to reflect the lack of legally adopted appropriations.

**FINDING NUMBER 2014-009
 (Continued)**

We recommend the Council approve an annual appropriation measure by the first day of each fiscal year and file the appropriation measure with the County Auditor by the required date. We also recommend the Fiscal Officer only post appropriations measures which have been formally adopted by the Council and documented in the records of the minutes of the Council meetings. The Village should develop procedures to ensure proper posting to the accounting system and financial statements.

FINDING NUMBER 2014-010

Noncompliance Citation

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

Appropriations exceeded estimated resources in the following funds at December 31:

Fund	Appropriated	Estimated Resources	Difference
2014			
Federal Emergency Management Agency Fund	\$23,751	\$	\$23,751
Department of Public Safety Fund	12,457		12,457
Ohio Public Works Commission Fund	14,902		14,902
2013			
Community Development Block Grant	20,000		20,000

The Fiscal Officer should be posting budgeted figures from the approved appropriations and estimated certificates and regularly monitoring appropriations to the total available resources for expenditure from each fund and submit the necessary modifications to Council for approval. In addition, the Fiscal Officer should make sure the original and/or amended certificates of estimated resources have been obtained from the County Auditor for annual appropriations and all subsequent modifications for each year. The budgetary disclosures have been adjusted to reflect appropriations approved by Council.

Officials’ Response:

We did not receive a response from Officials to the findings reported above.

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Dave Yost • Auditor of State

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
AUGUST 2, 2016