

**VILLAGE OF CLEVES  
HAMILTON COUNTY  
REGULAR AUDIT**

**for the years ended December 31, 2009 and 2008**





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Cleves, Hamilton County, prepared by Foxx & Company, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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Mary Taylor, CPA  
Auditor of State

September 10, 2010

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HAMILTON COUNTY  
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## INDEPENDENT AUDITORS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Cleves, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Government's larger (i.e. major) funds separately. While the Government does not follow GAAP, generally accepted

auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Government has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Cleves' combined funds as of December 31, 2009 and 2008, or its changes in financial position or cash flows, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Cleves, Hamilton County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2010 on our consideration of the Village of Cleves' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Fox & Company". The signature is written in a cursive, flowing style.

Cincinnati, Ohio  
June 30, 2010

**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, 2009**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 527,328	\$ 79,829	\$ -	\$ -	\$ 607,157
Intergovernmental Receipts	194,591	153,113	-	-	347,704
Charges for Services	57,166	10,357	-	-	67,523
Fines, Licenses, and Permits	99,964	30,504	-	-	130,468
Earnings on Investments	8,863	76	-	-	8,939
Miscellaneous	5,603	34,373	-	-	39,976
Total Cash Receipts	<u>893,515</u>	<u>308,252</u>	<u>-</u>	<u>-</u>	<u>1,201,767</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	527,649	67,006	-	-	594,655
Public Health Services	2,997	-	-	-	2,997
Leisure Time Activities	-	38,795	-	-	38,795
Community Environment	21,891	-	-	-	21,891
Basic Utility Services	-	-	-	-	-
Transportation	86,369	166,011	-	-	252,380
General Government	516,570	6,315	-	-	522,885
Debt Service:					
Principal Payments	222,938	37,052	-	-	259,990
Interest Payments	25,367	4,631	-	-	29,998
Capital Outlay	10,411	-	-	-	10,411
Total Cash Disbursements	<u>1,414,192</u>	<u>319,810</u>	<u>-</u>	<u>-</u>	<u>1,734,002</u>
Total Receipts Under Disbursements	<u>(520,677)</u>	<u>(11,558)</u>	<u>-</u>	<u>-</u>	<u>(532,235)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	-	14,500	-	-	14,500
Transfers-Out	(14,500)	-	-	-	(14,500)
Total Other Financing Receipts/(Disbursements)	<u>(14,500)</u>	<u>14,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements					
	(535,177)	2,942	-	-	(532,235)
Fund Cash Balances, January 1	<u>1,758,679</u>	<u>100,522</u>	<u>-</u>	<u>-</u>	<u>1,859,201</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 1,223,502</u></b>	<b><u>\$ 103,464</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>1,326,966</u></b>
Reserves for Encumbrances, December 31	<u>\$ 9,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,871</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, 2009**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 917,090	\$ 685,989	\$ 1,603,079
Fines, Licenses and Permits	<u>3,781</u>	<u>-</u>	<u>3,781</u>
Total Operating Cash Receipts	<u>920,871</u>	<u>685,989</u>	<u>1,606,860</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	238,846	-	238,846
Fringe Benefits	79,090	-	79,090
Contractual Services	244,409	672,321	916,730
Supplies and Materials	<u>170,905</u>	<u>-</u>	<u>170,905</u>
Total Operating Cash Disbursements	<u>733,250</u>	<u>672,321</u>	<u>1,405,571</u>
Operating Income/(Loss)	<u>187,621</u>	<u>13,668</u>	<u>201,289</u>
<b>Non-Operating Cash Receipts:</b>			
Sale of Notes	34,751	-	34,751
Other Non-Operating Receipts	<u>-</u>	<u>70,758</u>	<u>70,758</u>
Total Non-Operating Cash Receipts	<u>34,751</u>	<u>70,758</u>	<u>105,509</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	37,751	-	37,751
Redemption of Principal	47,524	-	47,524
Interest and Other Fiscal Charges	53,304	-	53,304
Other Non-Operating Cash Disbursements	<u>-</u>	<u>70,286</u>	<u>70,286</u>
Total Non-Operating Cash Disbursements	<u>138,579</u>	<u>70,286</u>	<u>208,865</u>
Net Receipts Over/(Under) Disbursements	83,793	14,140	97,933
Fund Cash Balances, January 1	<u>165,759</u>	<u>71,964</u>	<u>237,723</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 249,552</u></b>	<b><u>\$ 86,104</u></b>	<b><u>\$ 335,656</u></b>
Reserve for Encumbrances, December 31	<u>\$ 5,630</u>	<u>\$ -</u>	<u>\$ 5,630</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, 2008**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 527,378	\$ 57,562	\$ -	\$ -	\$ 584,940
Intergovernmental Receipts	251,134	176,771	-	-	427,905
Charges for Services	59,099	12,234	-	-	71,333
Fines, Licenses, and Permits	116,956	2,232	-	-	119,188
Earnings on Investments	25,270	240	-	-	25,510
Miscellaneous	49,371	34,868	-	-	84,239
Total Cash Receipts	<u>1,029,208</u>	<u>283,907</u>	<u>-</u>	<u>-</u>	<u>1,313,115</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	624,662	41,754	-	-	666,416
Public Health Services	2,826	-	-	-	2,826
Leisure Time Activities	500	35,628	-	-	36,128
Community Environment	10,544	-	-	-	10,544
Transportation	92,499	153,498	-	-	245,997
General Government	336,046	-	-	-	336,046
Debt Service:					
Principal Payments	683,058	49,073	-	-	732,131
Interest Payments	30,371	5,781	-	-	36,152
Capital Outlay	-	-	-	8,467	8,467
Total Cash Disbursements	<u>1,780,506</u>	<u>285,734</u>	<u>-</u>	<u>8,467</u>	<u>2,074,707</u>
Total Receipts Under Disbursements	<u>(751,298)</u>	<u>(1,827)</u>	<u>-</u>	<u>(8,467)</u>	<u>(761,592)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Bonds	664,291	-	-	-	664,291
Sale of Fixed Assets	1,500,000	-	-	-	1,500,000
Transfers-In	-	15,500	-	-	15,500
Transfers-Out	(15,500)	-	-	-	(15,500)
Advances-Out	(4,100)	-	-	-	(4,100)
Total Other Financing Receipts/(Disbursements)	<u>2,144,691</u>	<u>15,500</u>	<u>-</u>	<u>-</u>	<u>2,160,191</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,393,393	13,673	-	(8,467)	1,398,599
Fund Cash Balances, January 1	<u>365,286</u>	<u>86,849</u>	<u>-</u>	<u>8,467</u>	<u>460,602</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 1,758,679</u></b>	<b><u>\$ 100,522</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,859,201</u></b>
Reserves for Encumbrances, December 31	<u>\$ 4,959</u>	<u>\$ 1,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,416</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, 2008**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 858,677	\$ 597,149	\$ 1,455,826
Fines, Licenses and Permits	<u>3,117</u>	<u>-</u>	<u>3,117</u>
Total Operating Cash Receipts	<u>861,794</u>	<u>597,149</u>	<u>1,458,943</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	244,463	-	244,463
Fringe Benefits	90,123	-	90,123
Contractual Services	233,267	607,601	840,868
Supplies and Materials	<u>173,053</u>	<u>-</u>	<u>173,053</u>
Total Operating Cash Disbursements	<u>740,906</u>	<u>607,601</u>	<u>1,348,507</u>
Operating Income/(Loss)	<u>120,888</u>	<u>(10,452)</u>	<u>110,436</u>
<b>Non-Operating Cash Receipts:</b>			
Sale of Bonds	59,640	-	59,640
Other Non-Operating Receipts	<u>-</u>	<u>113,332</u>	<u>113,332</u>
Total Non-Operating Cash Receipts	<u>59,640</u>	<u>113,332</u>	<u>172,972</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	69,784	-	69,784
Redemption of Principal	54,226	-	54,226
Interest and Other Fiscal Charges	54,350	-	54,350
Other Non-Operating Cash Disbursements	<u>-</u>	<u>95,676</u>	<u>95,676</u>
Total Non-Operating Cash Disbursements	<u>178,360</u>	<u>95,676</u>	<u>274,036</u>
Income before operating transfers	<u>2,168</u>	<u>7,204</u>	<u>9,372</u>
Transfers-In	4,100	-	4,100
Net Receipts Over/(Under) Disbursements	6,268	7,204	13,472
Fund Cash Balances, January 1	<u>159,491</u>	<u>64,760</u>	<u>224,251</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 165,759</u></b>	<b><u>\$ 71,964</u></b>	<b><u>\$ 237,723</u></b>
Reserve for Encumbrances, December 31	<u>\$ 5,938</u>	<u>\$ -</u>	<u>\$ 5,938</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, 2009 and 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Cleves, Hamilton County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police. The Village appropriates general fund money to support a volunteer fire department.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

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

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**VILLAGE OF CLEVES  
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**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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**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 Funds:

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

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

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

**3. Debt Service Fund**

These funds are used to accumulate resources for the payment of bonds and note indebtedness.

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

*Other Capital Projects* - This fund accounted for various capital projects within the Village.

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**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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**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.

**6. Fiduciary Funds (Trust and Agency Funds)**

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

*Metropolitan Sewer District Agency Fund* – This fund received charges for services from residents to cover the cost of providing sewer service. The Village bills and collects this money from residents. Quarterly the Village is billed by the Metropolitan Sewer District. The Village received a seven percent administrative fee for the billing/collecting process.

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

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**2. Estimated Resources**

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

**VILLAGE OF CLEVES  
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**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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**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 re-appropriated in the subsequent year. The Village encumbered all commitments outstanding at December 31, 2009.

A summary of 2009 and 2008 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.

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$ 1,479,293	\$ 1,913,909
Total deposits	<u>1,479,293</u>	<u>1,913,909</u>
Money Market	42,520	42,206
STAR Ohio	<u>140,809</u>	<u>140,809</u>
Total investments	<u>183,329</u>	<u>183,015</u>
Total deposits and investments	<u>\$ 1,662,622</u>	<u>\$ 2,096,924</u>

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

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

**VILLAGE OF CLEVES  
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**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

**2009 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 888,100	\$ 893,515	\$ (5,415)
Special Revenue	282,131	322,752	(40,621)
Enterprise	<u>851,000</u>	<u>955,622</u>	<u>(104,622)</u>
Total	<u>\$ 2,021,231</u>	<u>\$ 2,171,889</u>	<u>\$ (150,658)</u>

**2008 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 869,475	\$ 1,693,501	\$ (824,026)
Special Revenue	245,900	299,407	(53,507)
Enterprise	<u>800,800</u>	<u>921,434</u>	<u>(120,634)</u>
Total	<u>\$ 1,916,175</u>	<u>\$ 2,914,342</u>	<u>\$ (998,167)</u>

**2009 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 2,645,879	\$ 1,438,563	\$ 1,207,316
Special Revenue	376,260	319,810	56,450
Enterprise	<u>1,073,759</u>	<u>829,935</u>	<u>243,824</u>
Total	<u>\$ 4,095,898</u>	<u>\$ 2,588,308</u>	<u>\$ 1,507,590</u>



**VILLAGE OF CLEVES  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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**2008 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 2,861,507	\$ 1,805,065	\$ 1,056,442
Special Revenue	341,813	287,191	54,622
Capital Projects	8,466	8,466	-
Enterprise	<u>1,080,895</u>	<u>870,979</u>	<u>209,916</u>
Total	<u>\$ 4,292,681</u>	<u>\$ 2,971,701</u>	<u>\$ 1,320,980</u>

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

**4. PROPERTY TAX**

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

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

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

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

**VILLAGE OF CLEVES  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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**5. DEBT**

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 767,377	6.41%
Ford Expedition Loan	3,368	6.00%
Fire and Emergency Medical Services Tax Anticipation Note, Series 2007	61,230	3.97%
Various Purpose Refunding and Improvement Bond, Series 2008	442,860	3.61%
Water Works Equipment Bond, Series 2008	45,406	3.10%
Vehicle Acquisition Bond Anticipation Note, Series 2009	<u>34,751</u>	3.86%
Total	<u>\$ 1,354,992</u>	

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

The Ford Expedition Loan was entered into on August 16, 2005 in the amount of \$22,489 with a maturity date of August 19, 2010. The proceeds of the loan were used to purchase a 2005 Ford Expedition. The loan will be repaid in 60 monthly installments of \$436, including interest. The loan is unsecured.

The \$122,460 Fire and Emergency Medical Services Tax Anticipation Notes, Series 2007 is dated May 23, 2006, and matures May 23, 2011. The note was issued for the purpose of providing and maintaining fire apparatus, appliances, buildings or sites; sources of water supply or materials; establishment and maintenance of fire alarm telegraph; the payment of permanent, part-time, or volunteer firefighters, or firefighting companies to operate the same, the payment of firefighter employers' contribution required under section 742.34 of the Ohio Revised Code; the purchase of ambulance equipment, or the provision of ambulance, paramedic, or other emergency medical services operated by a fire department or firefighting company within the Village. The full, faith, credit, and revenue of the Village are pledged as collateral.

**VILLAGE OF CLEVES  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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The \$664,291 Various Purpose Refunding and Improvement Bond, Series 2008 is dated October 1, 2008, and matures December 1, 2018. The bond was issued for the purpose of (i) refunding bonds originally issued for the purpose of paying the cost of a vehicle for the Village and equipment (\$46,000 Vehicle Acquisition Refunding Bonds, Series 2008); (ii) refund bonds originally issued for the purpose of paying the cost of a vehicle for the police department and equipment (\$17,707 Police Cruiser Refunding Bonds, Series 2008); (iii) refunding bonds originally issued for the purpose of paying the cost of a vehicle for the police department and equipment (\$20,863 Vehicle Acquisition Refunding Bonds, Series 2008); (iv) refinancing notes originally issued for the purpose of paying part of the cost of making improvements to Westgate Street in the Village (\$181,535 Westgate Street Improvement Bonds, Series 2008); (v) refinancing notes originally issued for the purpose of financing Westgate Drive Geotechnical Study, Main Street Reconstruction and State Route 264 Improvements in the Village (\$71,683 Road Improvement Bonds, Series 2008); (vi) refinancing notes originally issued for paying part of the cost of constructing improvements to Timberline Road in the Village (\$60,000 Timberline Road Improvement Bonds, Series 2008); and paying issuance expenses. The full, faith, credit, and revenue of the Village are pledged as collateral.

The \$59,640 Water Works Equipment Bond, Series 2008 is dated July 17, 2008, and matures June 1, 2012. The bond was issued for the purpose of purchasing equipment for the Water Works department and paying issuance expenses. The full, faith, credit, and revenue of the Village are pledged as collateral.

The \$34,751 Vehicle Acquisition Bond Anticipation Note, Series 2009 is dated April 2, 2009, and matures April 1, 2010. The Note was issued in anticipation of the issuance of bonds of the Village for the purpose of paying the cost of acquiring a new utility truck. The full, faith, credit, and revenue of the Village are pledged as collateral.

**VILLAGE OF CLEVES  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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

	<u>OWDA Loan</u>	<u>Ford Expedition</u>	<u>Fire and Emergency Medical Services Note</u>	<u>Various Purpose Refunding and Improvement Bond</u>
Year ending December 31:				
2010	\$ 76,036	\$ 3,422	\$ 33,046	\$ 103,827
2011	76,036	-	31,830	91,594
2012	76,036	-	-	91,594
2013	76,036	-	-	73,692
2014	76,036	-	-	73,693
2015 - 2019	380,179	-	-	103,691
2020 - 2024	380,179	-	-	-
2025 - 2029	<u>114,053</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,254,591</u>	<u>\$ 3,422</u>	<u>\$ 64,876</u>	<u>\$ 538,091</u>

	<u>Water Works Equipment Bond</u>	<u>Vehicle Acquisition Bond Anticipation Note</u>	<u>Totals</u>
Year ending December 31:			
2010	\$ 15,856	\$ 36,092	\$ 268,279
2011	15,849	-	215,309
2012	15,842	-	183,472
2013	-	-	149,728
2014	-	-	149,729
2015 - 2019	-	-	483,870
2020 - 2024	-	-	380,179
2025 - 2029	<u>-</u>	<u>-</u>	<u>114,053</u>
Total	<u>\$ 47,547</u>	<u>\$ 36,092</u>	<u>\$ 1,944,619</u>

**6. RETIREMENT SYSTEMS**

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

**VILLAGE OF CLEVES  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 10 percent of their wages for 2009. The Village contributed an amount equal to 14 percent of participants' gross salaries for 2009. The Village has paid all contributions required through December 31, 2009.

**7. RISK MANAGEMENT**

The Village belongs to the Public Entities Pool of Ohio, (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). The Village pays an annual contribution to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risk up to \$350,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$350,000, up to \$2,650,000 per claim and \$10,000,000 in the aggregate year. Governments can elect up to \$10,000,000 in addition with General Reinsurance Corporation, through contracts with PEP. If losses exhaust PEP'S retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$3,000,000.

Property Coverage

Travelers Indemnity Company reinsures specific losses exceeding \$300,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$300,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 (latest information available) was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective Village. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF CLEVES  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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Financial Position

PEP's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$ 35,769,535	\$ 37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Retained Earnings	<u>\$ 20,459,329</u>	<u>\$ 20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

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

Contributions to PEP

2009	\$ 47,777
2008	\$ 47,646
2007	\$ 48,725

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

The Village also provides health insurance and dental to full-time employees through a private carrier.



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

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

To the Village Council:

We have audited the financial statements of the Village of Cleves, Hamilton County, Ohio (the Village), as of and for the year ended December 31, 2009 and 2008, and have issued our report thereon dated June 30, 2010 wherein we noted the Village follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable

accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2009-001 through 2009-004.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2009-001, 2009-002, 2009-003, and 2009-004 are also material weaknesses.

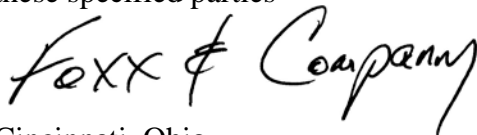
We noted certain matters that we reported to the Village's management in a separate letter date June 30, 2010.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2009-004.

We did note certain noncompliance or other matters that we reported to management of the Village in a separate letter dated June 30, 2010.

We intend this report solely for information and use of management, the Village Council and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties



Cincinnati, Ohio  
June 30, 2010



**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Significant Deficiency/Material Weakness – Financial Statement Presentation**

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

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

- Property and Other Local Taxes were posted as Intergovernmental Receipts
- Intergovernmental Receipts were posted as Miscellaneous Receipts
- Reserves for encumbrances were not recorded
- Vehicle purchase posted as Contractual Services
- Agency fund activity for Mayor's Court was not included on the financial statements

Failure to post receipts and disbursements accurately to the ledgers resulted in 14 audit adjustments and reclassification entries to the financial statements. In addition, inaccurate accounting records make it difficult for the Village Council to effectively manage and budget for the Village's activities. If the Village exercises accuracy in recording financial activity, it can reduce posting errors and increase the reliability of the financial data throughout the year.

**Recommendation**

We recommend that the Village's Clerk/Treasurer take steps to ensure the accurate posting of all transactions to the ledgers by:

- a. Posting cash receipts and disbursements in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions and AOS Bulletins, and
- b. Posting budgeted receipts and disbursements to the ledgers that agree with properly filed budgetary documents with the County Auditor.

### **Village's Response**

The Mayor's Court Clerk, Dixie Colliers, has contacted many Mayor's Court Clerks in communities the size of ours and has found no Mayor's Courts that mingle in their finances and accounts through the Village financial records. I will contact the local State Auditor's Office and the State UAN representatives prior to next audit to see if complying to their recommendation concerning Mayor's Court financials is feasible.

I have already complied to a request from the Auditor's from 2008 to set up "intergovernmental" accounts in order to track these revenues property instead of tracking them through a "miscellaneous" account item. I have been told from the Auditor that this change on my part has shown a marked improvement from previous audits. I will pay further heed to be sure that property tax revenue and/or intergovernmental revenues are not accounted for in the wrong account codes. It is sometimes difficult to determine whether a particular disbursement from the State or County is property tax or intergovernmental.

### **FINDING NUMBER 2009-002**

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

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

#### **Recommendation**

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

#### **Village's Response**

The Clerk of Courts currently provides Council with a Monthly Financial report which I believe contains the above recommendations of the auditor's. If something listed above is not currently being provided, every effort will be made to correct prior to next audit.

## **FINDING NUMBER 2009-003**

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

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. The Water Clerk was responsible for handling and depositing cash receipts, posting the cash receipts, and making cash disbursements. Giving an employee custodial, record-keeping and authorization responsibilities creates a significant internal control weakness. Without adequate segregation of duties and monitoring a misappropriation of funds could result and go undetected for a long period of time.

#### **Recommendation**

We recommend that because the Village has a limited number of financial personnel monthly bank reconciliations and lists of outstanding checks, monthly receipts, and disbursement reports should be presented to Council by the Water Clerk. The documents should be reviewed, initialed, and approved in the minutes by Council.

#### **Village's Response**

All Water Works disbursements are currently approved by the elected “Board of Public Affairs” at their monthly meetings. A list of disbursements is then sent to Village Clerk for payment. Copy of this monthly listing with Board signatures are kept in voucher files with all Village and Water Works disbursements for each month. The Water Board Clerk also received all Water Works, Sewer and Garbage-related financial reports at the end of the month – which I assume is copied and provided to Water Board Members.

## **FINDING NUMBER 2009-004**

### **Significant Deficiency – Material Noncompliance**

#### **Maintain a Capital Asset Listing**

Ohio Administrative Code, Section 117-2-02(D) requires all local public offices to maintain accounting records including capital asset records that include the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number.

The Village did not maintain a detailed capital assets listing. The preparation of a detailed capital assets listing aids in the accounting for property disposals, substantiate insurance claims for lost or damaged items, and provides controls to safeguard assets.

## **Recommendation**

We recommend that the Village establish written policies and procedures that would require the following:

- A detailed property record for each asset.
- A property identification number to be assigned and affixed to each asset.
- A capitalization policy under which minor disbursements within a specified dollar amount would be immediately charged to operations.

At a minimum, the detailed capital asset listing should include the following:

- Description, asset number, and location.
- Acquisition cost and date of acquisition.
- Voucher number.
- Asset type (land, building, vehicle, etc.).

## **Village's Response**

The Village was not aware they should be maintaining a Capital Asset Listing. Now that we have been informed of this requirement, I am confident that all effort will be made to have this listing created and maintained prior to next audit period.

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-30431-001	Financial Statement Presentation	Partially Corrected	Re-issued as finding number 2009-001
2007-30431-002	Ohio Revised Code Section 9.38: Deposits of Public Monies	Yes	Finding Resolved
2007-30431-003	Lack of Segregation of Duties in the Mayor's Court	No	Re-issued as finding number 2009-002
2007-30431-004	Lack of Segregation of Duties in the Water/Sewer Department	No	Re-issued as finding number 2009-003
2007-30431-005	Ohio Revised Code Section 5705.36(A)(2):	Yes	Finding Resolved
2007-30431-006	Ohio Revised Code Section 5705.39	Yes	Finding Resolved
2007-30431-007	Ohio Rev. Code 5705.41 (D): Certification of available funds	Yes	Finding Resolved

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**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF CLEVES**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 23, 2010**