



**VILLAGE OF CLEVES
HAMILTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2003-2002



**Auditor of State
Betty Montgomery**

VILLAGE OF CLEVES
HAMILTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
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, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	5
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, 2002.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings	21

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' 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, 2003 and 2002. 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* consider this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN service, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

May 10, 2004

**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, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property Tax and Other Local Taxes	\$409,719	\$109,662	\$0	\$0	\$519,381
Intergovernmental Receipts	174,024	113,374		727,640	1,015,038
Charges for Services	5,865	10,250			16,115
Fines, Licenses, and Permits	96,414	1,057			97,471
Earnings on Investments	9,221	339			9,560
Miscellaneous	35,809	13,789			49,598
	<u>731,052</u>	<u>248,471</u>		<u>727,640</u>	<u>1,707,163</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	457,334	27,367			484,701
Public Health Services	2,121				2,121
Leisure Time Activities	7,732	34,833			42,565
Community Environment	19,572				19,572
Transportation	9,540	284,593		727,640	1,021,773
General Government	213,974				213,974
Debt Service:					
Principal Payments	27,038	25,328			52,366
Interest Payments	13,768	7,071			20,839
Capital Outlay				168,953	168,953
	<u>751,079</u>	<u>379,192</u>		<u>896,593</u>	<u>2,026,864</u>
Total Receipts Under Disbursements	<u>(20,027)</u>	<u>(130,721)</u>		<u>(168,953)</u>	<u>(319,701)</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	20,000				20,000
Transfers-In		18,500			18,500
Transfers-Out	(18,500)				(18,500)
	<u>1,500</u>	<u>18,500</u>			<u>20,000</u>
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(18,527)	(112,221)		(168,953)	(299,701)
Fund Cash Balances, January 1	<u>125,807</u>	<u>236,744</u>	<u>4,916</u>	<u>262,174</u>	<u>629,641</u>
Fund Cash Balances, December 31	<u>\$107,280</u>	<u>\$124,523</u>	<u>\$4,916</u>	<u>\$93,221</u>	<u>\$329,940</u>
Reserves for Encumbrances, December 31	<u>\$5,263</u>	<u>\$943</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,206</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, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$715,060	\$357,382	\$1,072,442
Total Operating Cash Receipts	<u>715,060</u>	<u>357,382</u>	<u>1,072,442</u>
Operating Cash Disbursements:			
Personal Services	227,835		227,835
Fringe Benefits	83,671		83,671
Contractual Services	153,909	346,988	500,897
Supplies and Materials	142,565		142,565
Capital Outlay	46,500		46,500
Total Operating Cash Disbursements	<u>654,480</u>	<u>346,988</u>	<u>1,001,468</u>
Operating Income	<u>60,580</u>	<u>10,394</u>	<u>70,974</u>
Non-Operating Cash Receipts:			
Special Assessments	5,123	2,372	7,495
Other Non-Operating Receipts		74,488	74,488
Total Non-Operating Cash Receipts	<u>5,123</u>	<u>76,860</u>	<u>81,983</u>
Non-Operating Cash Disbursements:			
Debt Service	68,914		68,914
Other Non-Operating Cash Disbursements		72,328	72,328
Total Non-Operating Cash Disbursements	<u>68,914</u>	<u>72,328</u>	<u>141,242</u>
Net Receipts Over/(Under) Disbursements	(3,211)	14,926	11,715
Fund Cash Balances, January 1	<u>221,112</u>	<u>28,793</u>	<u>249,905</u>
Fund Cash Balances, December 31	<u>\$217,901</u>	<u>\$43,719</u>	<u>\$261,620</u>
Reserve for Encumbrances, December 31	<u>\$15,585</u>	<u>\$0</u>	<u>\$15,585</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, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property Tax and Other Local Taxes	\$394,304	\$109,383	\$0	\$0	\$503,687
Intergovernmental Receipts	188,416	219,910		130,803	539,129
Charges for Services	6,168	9,367			15,535
Fines, Licenses, and Permits	72,014				72,014
Earnings on Investments	14,514	333			14,847
Miscellaneous	19,741	40,207			59,948
Total Cash Receipts	<u>695,157</u>	<u>379,200</u>		<u>130,803</u>	<u>1,205,160</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	408,159	84,267			492,426
Public Health Services	2,004				2,004
Leisure Time Activities	54,361	30,945			85,306
Community Environment	17,525				17,525
Transportation	12,295	237,145		130,803	380,243
General Government	222,387				222,387
Debt Service:					
Principal Payments	14,406	63,782		50,000	128,188
Interest Payments	9,965	3,711		4,612	18,288
Capital Outlay				71,637	71,637
Total Cash Disbursements	<u>741,102</u>	<u>419,850</u>		<u>257,052</u>	<u>1,418,004</u>
Total Receipts Under Disbursements	<u>(45,945)</u>	<u>(40,650)</u>		<u>(126,249)</u>	<u>(212,844)</u>
Other Financing Receipts and (Disbursements):					
Sale of Notes				300,000	300,000
Transfers-In		34,300			34,300
Transfers-Out	(34,300)				(34,300)
Total Other Financing Receipts/(Disbursements)	<u>(34,300)</u>	<u>34,300</u>		<u>300,000</u>	<u>300,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(80,245)	(6,350)		173,751	87,156
Fund Cash Balances, January 1	206,052	243,094	4,916	88,423	542,485
Fund Cash Balances, December 31	<u>\$125,807</u>	<u>\$236,744</u>	<u>\$4,916</u>	<u>\$262,174</u>	<u>\$629,641</u>
Reserves for Encumbrances, December 31	<u>\$3,660</u>	<u>\$1,645</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,305</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, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$668,916	\$301,124	\$970,040
Total Operating Cash Receipts	<u>668,916</u>	<u>301,124</u>	<u>970,040</u>
Operating Cash Disbursements:			
Personal Services	223,646		223,646
Fringe Benefits	77,925		77,925
Contractual Services	158,840	283,636	442,476
Supplies and Materials	169,019		169,019
Capital Outlay	83,353		83,353
Total Operating Cash Disbursements	<u>712,833</u>	<u>283,636</u>	<u>966,469</u>
Operating Income/(Loss)	<u>(43,917)</u>	<u>17,488</u>	<u>(26,429)</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		50,775	50,775
Total Non-Operating Cash Receipts		<u>50,775</u>	<u>50,775</u>
Non-Operating Cash Disbursements:			
Debt Service	80,783		80,783
Other Non-Operating Cash Disbursements		47,859	47,859
Total Non-Operating Cash Disbursements	<u>80,783</u>	<u>47,859</u>	<u>128,642</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(124,700)	20,404	(104,296)
Transfers-In	19,225		19,225
Transfers-Out		(19,225)	(19,225)
Net Receipts Over/(Under) Disbursements	(105,475)	1,179	(104,296)
Fund Cash Balances, January 1	<u>326,587</u>	<u>27,614</u>	<u>354,201</u>
Fund Cash Balances, December 31	<u>\$220,962</u>	<u>\$28,793</u>	<u>\$249,905</u>
Reserve for Encumbrances, December 31	<u>\$10,919</u>	<u>\$0</u>	<u>\$10,919</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, 2003 AND 2002**

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:

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.

VILLAGE OF CLEVES
HAMILTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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:

Timberline Street Project – This fund received note proceeds for the reconstruction of the street.

State Issue II Fund – This fund receives state grant money for street renovations.

Other Capital Projects – This fund received note proceeds for park improvements.

5. **Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Garbage and Trash Collection Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

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.

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2003 and 2002 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:

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2003	2002
Demand deposits	\$376,382	\$615,934
Total deposits	376,382	615,934
Money Market	178	3,612
STAR Ohio	215,000	260,000
Total investments	215,178	263,612
Total deposits and investments	\$591,560	\$879,546

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$749,540	\$751,052	\$1,512
Special Revenue	253,878	266,971	13,093
Debt Service	0	0	0
Capital Projects	800,000	727,640	(72,360)
Enterprise	689,003	720,183	31,180
Total	\$2,492,421	\$2,465,846	(\$26,575)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$880,299	\$774,842	\$105,457
Special Revenue	488,820	380,135	108,685
Debt Service	4,916	0	4,916
Capital Projects	1,062,174	896,593	165,581
Enterprise	910,115	738,979	171,136
Total	\$3,346,324	\$2,790,549	\$555,775

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$775,598	\$695,157	(\$80,441)
Special Revenue	396,036	413,500	17,464
Debt Service	0	0	0
Capital Projects	435,803	430,803	(5,000)
Enterprise	702,761	688,141	(14,620)
Total	\$2,310,198	\$2,227,601	(\$82,597)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$893,176	\$779,062	\$114,114
Special Revenue	639,937	421,495	218,442
Debt Service	4,916	0	4,916
Capital Projects	519,226	257,052	262,174
Enterprise	1,021,358	804,535	216,823
Total	\$3,078,613	\$2,262,144	\$816,469

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, 2003 AND 2002
(Continued)**

5. DEBT/LEASE

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$899,373	6.41%
Timberline Road Bond Anticipation Note	75,000	3.70%
Park Improvement Bond Anticipation Note	400,000	3.50%
Police Cruiser Loan	7,233	6.12%
Ambulance Loan	6,640	5.84%
Fire Rescue Truck Lease	94,342	5.24%
Ford F250 Staff Vehicle Lease	17,969	4.86%
Ford 650 Chassis/Cab Truck Lease	45,301	4.25%
Bobcat Lease	19,192	4.29%
Dodge Intrepid Police Cruiser Loan	23,100	5.75%
Total	<u>\$1,588,150</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 Timberline Road Bond Anticipation Note is dated June 25, 2003 and matures on June 24, 2004. The note was issued to pay part of the cost of improvements to the road. The full, faith, credit and revenue of the Village are pledged as collateral.

The original Park Improvement Bond Anticipation Note was issued for \$100,000 on August 27, 2001. The remaining \$300,000 note was issued on August 26, 2002. The \$400,000 note matures on August 24, 2004. The note was issued to pay part of the improvements to the Village Park. The full, faith, credit and revenue of the Village are pledged as collateral.

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

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

The Fire Rescue Truck Lease was entered into on February 27, 2002 in the amount of \$115,066 for the lease/purchase of a fire and rescue vehicle. The lease is to end on February 27, 2007. The lease payment is \$26,754, including interest. The Village has a \$1.00 buy-out option at the end of the lease.

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT/LEASE (Continued)

The Ford F250 Staff Vehicle Loan was entered into on February 13, 2002 in the amount of \$24,792. The proceeds of the loan were used to purchase a 2002 Ford F250 Super Duty Staff Vehicle for use by the Fire Department. The loan is being repaid in semiannual installments of \$2,822.50, including interest. The loan is unsecured.

The Ford 650 Chassis/Cab Truck Lease was entered into on November 4, 2002 in the amount of \$55,485 for the lease/purchase of a 2003 Ford 650 Chassis/Cab Truck Vehicle with attachments. The lease is to end on November 4, 2007. The lease payment is \$6,217.50, including interest, due semiannually.

The Bobcat Lease was entered into on June 12, 2002 in the amount of \$27,907 for the lease of a Bobcat Skid Steer Loader, Sweeper, and Chipper. The lease is to end on May 12, 2007. The lease payment is \$515.75, including interest, due monthly.

The Dodge Intrepid Police Cruiser Loan was entered into on August 6, 2003 in the amount of \$23,100. The proceeds on the loan were used to purchase a 2004 Dodge Intrepid Police Cruiser. The loan will be repaid in four annual installments of \$6,628, including interest beginning in 2004. The loan is unsecured.

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

	OWDA Loan	Timberline Road Note	Park Improvement Note	Police Cruiser Loan
Year ending December 31:				
2004	\$76,036	\$77,775	\$414,000	\$6,912
2005	76,036			576
2006	76,036			
2007	76,036			
2008	76,036			
2009 – 2013	380,179			
2014 – 2018	380,179			
2019 – 2023	380,179			
2024 – 2026	190,089			
Total	<u>\$1,710,806</u>	<u>\$77,775</u>	<u>\$414,000</u>	<u>\$7,488</u>

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT/LEASE (Continued)

	<u>Ambulance Loan</u>	<u>Fire Rescue Truck Lease</u>	<u>Ford F250 Staff Vehicle Loan</u>	<u>Ford 650 Chassis/Cab Truck Lease</u>
Year ending December 31:				
2004	\$5,904	\$26,754	\$5,645	\$12,435
2005	984	26,754	5,645	12,435
2006		26,754	5,645	12,435
2007		26,754	2,756	12,435
2008				
2009 – 2013				
2014 – 2018				
2019 – 2023				
2024 – 2028				
Total	<u>\$6,888</u>	<u>\$107,016</u>	<u>\$19,691</u>	<u>\$49,740</u>

	<u>Bobcat Lease</u>	<u>Dodge Intrepid Police Cruiser Loan</u>	<u>Totals</u>
Year ending December 31:			
2004	\$6,189	\$6,628	638,278
2005	6,189	6,628	135,247
2006	6,189	6,628	133,687
2007	2,063	6,628	126,672
2008			76,036
2009 – 2013			380,179
2014 – 2018			380,179
2019 – 2023			380,179
2024 – 2028			190,089
Total	<u>\$20,630</u>	<u>\$26,512</u>	<u>\$2,440,546</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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

VILLAGE OF CLEVES
HAMILTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

7. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2002 and 2001 generally protect against individual losses exceeding \$150,000 for policies issued prior to April 1, 2000; \$100,000 for policies issued between April 1, 2000 and March 31, 2002; and \$125,000 for policies issued April 1, 2002 or later.

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

The Pool cedes reinsurance to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2002 and 2001 (the latest information available):

	<u>2002</u>	<u>2001</u>
Assets	\$1,852,060	\$3,354,251
Liabilities	<u>(3,627,321)</u>	<u>(4,851,866)</u>
Retained deficit	<u>(\$1,775,261)</u>	<u>(\$1,497,615)</u>

This page intentionally left blank.



Auditor of State Betty Montgomery

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Cleves, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 10, 2004 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 10, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated May 10, 2004.

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

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

Betty Montgomery
Auditor of State

May 10, 2004

VILLAGE OF CLEVES
HAMILTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Material Noncompliance Citation/Reportable Condition

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

This Section also provides two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Clerk/Treasurer may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000, (\$3,000 after April 7, 2003), the Clerk may authorize payment through a Then and Now certificate without affirmation of the Council, if such expenditure is otherwise valid.

Contrary to the above requirement, the availability of funds was not certified for 40% of the disbursements tested. Failure to certify the availability of funds and encumber appropriations can result in overspending and negative cash balances. Therefore, we recommend the Village obtain approved purchased orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

This page intentionally left blank.

**VILLAGE OF CLEVES
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30431-001	Ohio Rev. Code 5705.41 (B): expenditures in excess of appropriations	No	Partially corrected. This issue is addressed in Findings 2003-002.
2001-30431-002	Ohio Rev. Code 5705.41 (D): Certification of available funds	No	Not corrected. Reissued as Finding 2003-001.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF CLEVES

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 20, 2004**