

VILLAGE OF CLOVERDALE

PUTNAM COUNTY

Audit Report

For the Years Ended December 31, 2016 and 2015





Dave Yost • Auditor of State

Village Council
Village of Cloverdale
PO Box 37
Cloverdale, OH 45827

We have reviewed the *Independent Auditor's Report* of the Village of Cloverdale, Putnam County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. 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.

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 Cloverdale is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 26, 2018

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**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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, (the Village) as of and for the years ended December 31, 2016 and 2015.

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 2 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 *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

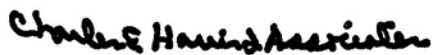
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and the related notes of the Village of Cloverdale, Putnam County as of December 31, 2016 and 2015, and 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017, 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.



Charles E. Harris & Associates, Inc.
November 15, 2017

Village of Cloverdale, Ohio
Putnam County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$3,155	\$0	\$3,155
Intergovernmental	27,563	7,943	35,506
Fines, Licenses and Permits	1,646	0	1,646
Earnings on Investments	76	0	76
Miscellaneous	303	0	303
<i>Total Cash Receipts</i>	<u>32,743</u>	<u>7,943</u>	<u>40,686</u>
Cash Disbursements			
Current:			
Security of Persons and Property	3,357	9,947	13,304
Basic Utility Services	1,761	363	2,124
Transportation	0	3,569	3,569
General Government	23,954	0	23,954
Debt Service:			
Principal Retirement	2,432	0	2,432
<i>Total Cash Disbursements</i>	<u>31,504</u>	<u>13,879</u>	<u>45,383</u>
<i>Net Change in Fund Cash Balances</i>	1,239	(5,936)	(4,697)
<i>Fund Cash Balances, January 1</i>	<u>34,576</u>	<u>21,541</u>	<u>56,117</u>
Fund Cash Balances, December 31			
Restricted	0	15,605	15,605
Assigned	9,166	0	9,166
Unassigned	26,649	0	26,649
<i>Fund Cash Balances, December 31</i>	<u><u>\$35,815</u></u>	<u><u>\$15,605</u></u>	<u><u>\$51,420</u></u>

See accompanying notes to the financial statements

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Village of Cloverdale, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Cloverdale (the Village), Putnam County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services and park operations. The Village contracts with Putnam County Sheriff's department to provide security of persons and property. The Village receives fire protection services from the Village of Ottoville.

Public Entity Risk Pool

The Village participates in Ohio Plan Risk Management Inc. (OPRM), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Village of Cloverdale, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies – (continued)

Basis of Accounting

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. Council 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.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 4.

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.

Capital Assets

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, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies – (continued)

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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.

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. The Village may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

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.

Note 3 - Compliance

Contrary to Ohio Revised Code (ORC) §5705.39, at December 31, 2016, appropriations exceeded estimated resources in the Special Revenue - Street Construction and Maintenance fund. Also, contrary to ORC §5705.41(D), the Village did not certify purchase orders for any tested disbursement.

Village of Cloverdale, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,271	\$32,743	\$6,472
Special Revenue	5,052	7,943	2,891

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$50,150	\$40,670	\$9,480
Special Revenue	25,234	13,879	11,355

Note 5 – Deposits and Investments

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

	2016
Demand deposits	\$6,419
Certificates of deposit	45,001
Total deposits	\$51,420

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Note 6 – Taxes

Property Taxes

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.

Village of Cloverdale, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Taxes – (continued)

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.

Note 7 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - 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. Until November 1, 2016, the OPRM retained 47% 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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, 2016.

	2016
Assets	<u>\$14,765,712</u>
Liabilities	<u>(9,531,506)</u>
Members’ Equity	<u><u>\$5,234,206</u></u>

Village of Cloverdale, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Risk Management – (continued)

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

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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. 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, 2016.

Social Security

Several Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 10 – Debt

The Village had \$6,080 of Ohio Public Works Commission debt outstanding at December 31, 2016.

The Ohio Public Works Commission (OPWC) loan is an interest free loan and related 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, Ohio
Putnam County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 - Debt (continued)

Amortization

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

Year ending December 31:	<u>OPWC Loans</u>
2017	\$2,432
2018	2,432
2019	<u>1,216</u>
Total	<u><u>\$6,080</u></u>

Note 11 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Note 12 – Related Party Transactions

The Village Mayor is married to one of the Council members. The Fiscal Officer is the Mayor's sister-in-law.

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Village of Cloverdale, Ohio
Putnam County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$4,750	\$0	\$4,750
Intergovernmental	23,965	7,739	31,704
Fines, Licenses and Permits	1,557	0	1,557
Earnings on Investments	133	10	143
Miscellaneous	431	0	431
<i>Total Cash Receipts</i>	<u>30,836</u>	<u>7,749</u>	<u>38,585</u>
Cash Disbursements			
Current:			
Security of Persons and Property	12,175	11,515	23,690
Basic Utility Services	5,100	3,662	8,762
Transportation	0	1,868	1,868
General Government	31,722	0	31,722
Debt Service:			
Principal Retirement	1,216	0	1,216
<i>Total Cash Disbursements</i>	<u>50,213</u>	<u>17,045</u>	<u>67,258</u>
<i>Net Change in Fund Cash Balances</i>	(19,377)	(9,296)	(28,673)
<i>Fund Cash Balances, January 1</i>	<u>53,953</u>	<u>30,837</u>	<u>84,790</u>
Fund Cash Balances, December 31			
Restricted	0	21,541	21,541
Unassigned	34,576	0	34,576
<i>Fund Cash Balances, December 31</i>	<u>\$34,576</u>	<u>\$21,541</u>	<u>\$56,117</u>

See accompanying notes to the financial statements

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Village of Cloverdale, Ohio
Putnam County
Notes to the Financial Statements
For the Years Ended December 31, 2015

Note 1 - Reporting Entity

The Village of Cloverdale (the Village), Putnam County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services and park operations. The Village contracts with Putnam County Sheriff's department to provide security of persons and property. The Village receives fire protection services from the Village of Ottoville.

Public Entity Risk Pool

The Village participates in Ohio Plan Risk Management Inc. (OPRM), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Village of Cloverdale, Ohio
Putnam County
Notes to the Financial Statements
For the Years Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies – (continued)

Basis of Accounting

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. Council 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.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 budgetary activity appears in Note 4.

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.

Capital Assets

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, Ohio
Putnam County
Notes to the Financial Statements
For the Years Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies – (continued)

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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.

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. The Village may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

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.

Village of Cloverdale, Ohio
Putnam County
Notes to the Financial Statements
For the Years Ended December 31, 2015

Note 3 - Compliance

Contrary to Ohio Revised Code §5705.41(B) and 5705.38, the Village did not approve an appropriation resolution or a certificate of estimated resources in 2015, causing disbursements to exceed appropriations in several funds. Also, contrary to ORC §5705.41(D), the Village did not certify purchase orders for any tested disbursement.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$30,836	\$30,836
Special Revenue	0	7,749	7,749

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$0	\$50,213	(\$50,213)
Special Revenue	0	17,045	(17,045)

Note 5 – Deposits and Investments

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

	2015
Demand deposits	\$11,116
Certificates of deposit	45,001
Total deposits	\$56,117

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Note 6 – Taxes

Property Taxes

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.

Village of Cloverdale, Ohio
Putnam County
Notes to the Financial Statements
For the Years Ended December 31, 2015

Note 6 – Taxes – (continued)

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.

Note 7 - 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. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014, respectively (the latest information available).

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, 2015 and 2014 (the latest information available).

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	<u>(9,112,030)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

Village of Cloverdale, Ohio
Putnam County
Notes to the Financial Statements
For the Years Ended December 31, 2015

Note 7 - Risk Management – (continued)

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

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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. 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, 2015.

Social Security

Several Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 9 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 10 – Debt

The Village had \$8,512 of Ohio Public Works Commission debt outstanding at December 31, 2015.

The Ohio Public Works Commission (OPWC) loan is an interest free loan and related 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, Ohio
Putnam County
Notes to the Financial Statements
For the Years Ended December 31, 2015

Note 10 – Debt - (continued)

Amortization

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

Year ending December 31:	<u>OPWC Loans</u>
2016	\$2,432
2017	2,432
2018	2,432
2019	<u>1,216</u>
Total	<u><u>\$8,512</u></u>

Note 11 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Note 12 – Related Party Transactions

The Village Mayor is married to one of the Council members. The Fiscal Officer is the Mayor's sister-in-law.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**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 disbursements by fund type of the Village of Cloverdale, Putnam County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated November 15, 2017 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.

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 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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 2016-002 to 004.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 15, 2017.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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.



Charles E. Harris & Associates, Inc.
November 15, 2017

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001 - 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 system's 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. Numerous transactions were either not recorded or booked twice. Among these are:

- Interest earnings and bank fees
- Online electronic payments for gasoline and other agencies, including the Bureau of Workers Compensation, OPERS and post office

This resulted in an unreconciled balance of \$8,085 by the end of 2016. The Village hired an independent accounting firm to reconcile the accounts.

Failure to post transactions as they occur and to perform month-end reconciliations results in posting errors not being detected in a timely manner and bank reconciliations not being balanced. Consequently, Council is not receiving accurate financial information for the Village.

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.
- Council review budget and fund balances to determine if transactions are posted in a timely manner.

Management Response:

See Corrective Action Plan.

FINDING NUMBER 2016-002 - Noncompliance Citation

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.

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS - continued
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued
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FINDING NUMBER 2016-002 – continued

The Village passed an appropriation resolution in the minutes in January 2015 but no amounts were included in the minutes and no ordinances could be located. Moreover, no 2015 appropriations were filed with the County Auditor. As a result, expenditures exceeded appropriations in the following funds:

	Appropriation		Disbursements	Difference
General Fund	\$ -		\$ 50,213	\$ (50,213)
Special Revenue: Street Maintenance	-		17,045	(17,045)

We noted that management posted appropriations in the UAN accounting system, however, these were not approved by Council. We recommend the Council approve an annual appropriation measure by the first day of each fiscal year and file the appropriation measure and the certificate of estimated resources with the County Auditor by the required date.

Management Response:

See Corrective Action Plan.

FINDING NUMBER 2016-003 - Noncompliance Citation

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources available for expenditure. The Village passed appropriation resolutions in 2016; however its appropriation in the Street Construction, Maintenance and Repair Fund exceeded available estimated resources by \$4,368.

We recommend that the Village monitor the budget and amend appropriations or estimated receipts as necessary.

Management Response:

See Corrective Action Plan.

FINDING NUMBER 2016-004 - Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS - continued
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued
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FINDING NUMBER 2016-004 - continued

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now Certificates" – If the Village can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The Village may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not make proper certification of funds for all (100%) of 40 disbursements tested in 2016 and 2015. In addition, nine of 12 monthly transactions for gasoline purchases in 2016, which were paid electronically, did not have purchase orders certified by the fiscal officer or the Council. These transactions were also not recorded in the Village books and contributed to the cash reconciliation problem noted in Finding 2016-001.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. We recommend that the Village institute the use of purchase orders for any expenditure to be made and certify expenditures prior to incurring the liability. In instances where prior certification is not practical, we recommend the issuance of a "Then and Now" certificate.

Management Response:

See Corrective Action Plan.

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2016 and 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Finding for Recovery – Lack of supporting documentation	Not corrected	Missing invoices were still not provided. Finding for recovery still unpaid. Immaterial amounts of undocumented invoices noted in the Management Letter in 2016.
2014-002	Finding for Recovery – Late fees	Not corrected	Finding for recovery still unpaid.
2014-003	Finding for Recovery – Overpayment council members	Not corrected	One council member refunded the overpayment. Other members finding for recovery is still unpaid.
2014-004	Material Weakness – Monitoring of Financial Statements	Partially corrected	Moved to Management Letter
2014-005	Material Weakness – Posting of transactions and cash reconciliation	Not corrected	Repeated as Finding 2016-001
2014-006	Ohio Rev. Code §5705.10(D)(1) Noncompliance and Material Weakness	Finding no longer valid	Village did not receive money from FEMA
2014-007	Noncompliance – late payment of debt	Corrected	Debt was paid timely
2014-008	Ohio Rev. Code §§ 5705.38, 5705.41(B) and 5705.41(B)– Appropriation resolutions not passed	Not corrected	Repeated as Finding 2016-002
2014-009	Ohio Rev. Code §5705.40 –Amend appropriation resolution	Finding no longer valid	Finding not applicable for the period
2014-010	Ohio Rev. Code §5705.39 – Appropriations shall not exceed estimated resources	Not corrected	Repeated as Finding 2016-003

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**CORRECTIVE ACTION PLAN
December 31, 2016 and 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Any vendor that is used by the Village has been contacted and receipts are either mailed or emailed directly to the Fiscal Officer. That way no receipts can be misplaced. Also, reconciliations will be done monthly, and all receipts and disbursements will also be posted as they are received. Also, the Council will be more involved in the finances in general. There will be a finance committee to closely oversee and assist the Fiscal Officer. Other changes will also be made, such as there will be no more purchasing without approval by the Council.	Immediately	Gwen Spencer, Fiscal Officer
2016-002	The Fiscal Officer has implemented monthly reviews of estimated resources, appropriations, YTD expenditures, and total encumbrances to verify that expenditures do not exceed appropriations. The Fiscal Officer will receive more training in the areas that need work.	Immediately	Gwen Spencer, Fiscal Officer
2016-003	The Fiscal Officer has implemented monthly reviews of estimated resources, appropriations, YTD expenditures, and total encumbrances to verify that appropriations will not exceed estimated resources.	Immediately	Gwen Spencer , Fiscal Officer
2016-004	The Fiscal Officer has implemented procedures to monitor purchase orders and will communicate to each department.	Immediately	Gwen Spencer, Fiscal Officer



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
MAY 10, 2018