



**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF CLOVERDALE
PUTNAM COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Cloverdale, Putnam County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2000 and 1999, 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 June 18, 2001 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management and the 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.

Jim Petro
Auditor of State

June 18, 2001

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$3,635		\$3,635
Intergovernmental Receipts	49,584	\$5,900	55,484
Fines, Licenses, and Permits	5		5
Earnings on Investments	5,152	215	5,367
Miscellaneous	2,760		2,760
 Total Cash Receipts	 61,136	 6,115	 67,251
Cash Disbursements:			
Current:			
Security of Persons and Property	3,011		3,011
Public Health Services	28		28
Leisure Time Activities	8,290		8,290
Basic Utility Services	30,236		30,236
Transportation	1,936	1,018	2,954
General Government	27,514		27,514
 Total Cash Disbursements	 71,015	 1,018	 72,033
 Total Receipts Over/(Under) Disbursements	 (9,879)	 5,097	 (4,782)
 Fund Cash Balances, January 1	 114,689	 27,932	 142,621
 Fund Cash Balances, December 31	 \$104,810	 \$33,029	 \$137,839

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

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$3,534		\$3,534
Intergovernmental Receipts	42,584	\$5,982	48,566
Fines, Licenses, and Permits	15		15
Earnings on Investments	5,059	196	5,255
Miscellaneous	3,599		3,599
	<u>54,791</u>	<u>6,178</u>	<u>60,969</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	3,680		3,680
Public Health Services	63		63
Leisure Time Activities	10,028		10,028
Basic Utility Services	11,981		11,981
Transportation	9,987	686	10,673
General Government	24,405	3,023	27,428
	<u>60,144</u>	<u>3,709</u>	<u>63,853</u>
Total Cash Disbursements	<u>60,144</u>	<u>3,709</u>	<u>63,853</u>
Total Receipts Over/(Under) Disbursements	<u>(5,353)</u>	<u>2,469</u>	<u>(2,884)</u>
Other Financing Receipts:			
Sale of Fixed Assets	5,000		5,000
	<u>5,000</u>		<u>5,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(353)	2,469	2,116
Fund Cash Balances January 1	115,042	25,463	140,505
	<u>115,042</u>	<u>25,463</u>	<u>140,505</u>
Fund Cash Balances, December 31	<u>\$114,689</u>	<u>\$27,932</u>	<u>\$142,621</u>

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

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

Certificates of deposit are valued at cost.

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.

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.

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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.

Street Lighting Fund - This fund receives special assessment money to for street lighting.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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. The Village did not use the encumbrance method of accounting.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH 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 CLOVERDALE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

	<u>2000</u>	<u>1999</u>
Demand deposits	\$52,839	\$57,621
Certificates of deposit	<u>85,000</u>	<u>85,000</u>
Total deposits	<u><u>\$137,839</u></u>	<u><u>\$142,621</u></u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,769	\$61,136	\$16,367
Special Revenue	<u>27,977</u>	<u>6,115</u>	<u>(21,862)</u>
Total	<u><u>\$72,746</u></u>	<u><u>\$67,251</u></u>	<u><u>(\$5,495)</u></u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$159,474	\$71,015	\$88,459
Special Revenue	<u>56,651</u>	<u>1,018</u>	<u>55,633</u>
Total	<u><u>\$216,125</u></u>	<u><u>\$72,033</u></u>	<u><u>\$144,092</u></u>

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,256	\$59,791	\$13,535
Special Revenue	<u>5,760</u>	<u>6,178</u>	<u>418</u>
Total	<u><u>\$52,016</u></u>	<u><u>\$65,969</u></u>	<u><u>\$13,953</u></u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$161,300	\$60,144	\$101,156
Special Revenue	<u>31,224</u>	<u>3,709</u>	<u>27,515</u>
Total	<u><u>\$192,524</u></u>	<u><u>\$63,853</u></u>	<u><u>\$128,671</u></u>

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. COMPLIANCE

The Village Clerk did not certify the availability of funds as required by Ohio Revised Code § 5705.41(D).

Expenditures exceeding appropriations in the following accounts, contrary to Ohio Revised Code § 5705.41(B), which requires all expenditures to be appropriated:

Fund	Activity	Program	Object	Variance
General 1999	Public Health Services	Other Public Health	Contractual Services	\$47
	Basic Utility Services	Storm Sewers and Drains	Capital Outlay	2,209
	General Government	Legislative Activities	Contractual Services	534
	General Government	Clerk, Treasurer	Contractual Services	123
General 2000	Basic Utility Services	Storm Sewers and Drains	Contractual Services	10,926
	General Government	Lands and Buildings	Contractual Services	2,222

5. PROPERTY TAX

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

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

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

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

6. DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	<u>\$43,783</u>	0%

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

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

Year ending December 31:	OPWC Loan
2001	\$1,216
2002	2,432
2003	2,432
2004	2,432
2005	2,432
Subsequent	32,839
Total	\$43,783

7. RETIREMENT SYSTEMS

A. Public Employees Retirement System

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% and 10.84% of participants' gross salaries for 1999 and 2000, respectively. The Village has paid all contributions required through December 31, 2000.

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System have an option to choose Social Security or the Public Employees Retirement System. As of June 30, 2000, all members of the Village Council have elected Social Security. The Board's liability is 6.2 percent of wages paid.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Wrongful Acts;
- Inland Marine; and
- Electronic Data Processing.

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Cloverdale, Putnam County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 18, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2000-30269-001 and 2000-30269-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 18, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted an instance 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 judgement, 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 2000-30269-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 management of the Village in a separate letter dated June 18, 2001.

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

Jim Petro
Auditor of State

June 18, 2001

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-30269-001

Noncompliance Citation

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

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Village Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of the Village Council, if such expenditure is otherwise valid.

None of the Village transactions were certified by the Clerk/Treasurer. This procedure is not only required by Ohio law but is also a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by Council.

To improve controls over disbursements it is recommended that all Village disbursements, receive prior certification of the Clerk/Treasurer and that Council periodically review the expenditures made to ensure they are within appropriations adopted by Council certified by the Clerk/Treasurer and recorded against appropriation.

FINDING NUMBER 2000-30269-002

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter. Expenditures exceeded appropriations in the following funds, programs, activities, and objects by the following amounts:

Fund	Activity	Program	Object	Variance
General 1999	Public Health Services	Other Public Health	Contractual Services	\$47
	Basic Utility Services	Storm Sewers and Drains	Capital Outlay	2,209
	General Government	Legislative Activities	Contractual Services	534
	General Government	Clerk, Treasurer	Contractual Services	123
General 2000	Basic Utility Services	Storm Sewers and Drains	Contractual Services	10,926
	General Government	Lands and Buildings	Contractual Services	2,222

FINDING NUMBER 2000-30269-002
(Continued)

The Clerk/Treasurer should not issue checks for expenditures that would exceed appropriations. The Clerk/Treasurer should inform Council of the insufficiency of appropriations, and whether current resources permit an increase to appropriations. The Council should determine if they wish to increase appropriations and if needed, obtain an amended certificate of estimated resources.

FINDING NUMBER 2000-30269-003

Reportable Condition

1) The 1999 annual financial report was not supported by the Village's appropriation ledger, receipts ledger or cash journal, 2) No annual report had been prepared for 2000, 3) Amounts posted to the receipts and appropriations ledger did not reconcile to the amounts posted to the cash journal, 4) Funds received by the Village were not being deposited timely, 5) Some disbursements did not have supporting documentation, 6) The Clerk/Treasurer did not reconcile the books with the bank, 7) Some receipts and disbursements were posted to the wrong fund and/or account, 8) Appropriation modifications were made without Council approval, and 9) Estimated receipts were not posted to the receipts ledger and as a result Council was not provided with budget vs. actual comparisons for receipts or disbursements.

All of these deficiencies indicate a lack of or insufficient monitoring of financial activity by the Village Council. Monitoring of finances by Council is a key control to ensure Village funds are not wasted, misused or stolen. To ensure the records are up to date, accurate and in balance Council should: 1) review the records to ensure all amounts are posted in a timely manner, posted to the proper fund and account, in the proper period and that the receipts and appropriations ledgers agree with the cash journal, 2) ensure annual reports are complete, accurate and filed timely, 3) ensure the books are reconciled with the bank monthly, and 4) approve all appropriation modifications. To assist the Council with their review the Clerk/Treasurer should provide them with monthly financial statements that include comparisons of budget and actual receipts and disbursements, all bills to be paid along with supporting documentation and the monthly reconciliation of the books to the bank along with documentation to support all reconciling items. The Village could gain efficiencies in both financial accounting and reporting if Council would consider investing in additional training for the Clerk/Treasurer.

**VILLAGE OF CLOVERDALE
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-60269-001	ORC § 5705.41(D) expenditures exceeded appropriations.	No	Finding has not been corrected and is repeated in this report.
1998-60269-002	ORC § 5705.41(B) certification of funds.	No	Finding has not been corrected and is repeated in this report.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JULY 5, 2001**