

**VILLAGE OF CLEVES  
HAMILTON COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**





# Dave Yost • Auditor of State

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

We have reviewed the Independent Auditors' Report of the Village of Cleves, Hamilton County, prepared by Bastin & Company, LLC, for the audit period January 1, 2010 to December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Dave Yost  
Auditor of State

November 27, 2012

**This page intentionally left blank.**

**VILLAGE OF CLEVES  
HAMILTON COUNTY, OHIO**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditors' 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, 2011.....	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, 2011.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2010.....	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, 2010.....	6
Notes to the Financial Statements.....	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	16
Schedule of Findings and Responses .....	18
Schedule of Prior Audit Findings.....	20

**This page intentionally left blank.**

# Bastin & Company, LLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

To the Members of Village Council  
Village of Cleves, Hamilton County, Ohio

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, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 1, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2012, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
August 10, 2012



**VILLAGE OF CLEVES  
HAMILTON COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<i>Cash Receipts:</i>				
Property and Other Local Taxes	\$ 269,493	\$ 109,760	\$ -	\$ 379,253
Intergovernmental	90,161	219,340	570,072	879,573
Charges for Services	23,008	45,449	-	68,457
Fines, Licenses and Permits	104,515	6,305	-	110,820
Earnings on Investments	3,400	10	-	3,410
Miscellaneous	11,062	1,877	-	12,939
<b>Total Cash Receipts</b>	<b>501,639</b>	<b>382,741</b>	<b>570,072</b>	<b>1,454,452</b>
<i>Cash Disbursements:</i>				
<i>Current:</i>				
General Government	258,412	-	-	258,412
Security of Person and Property	379,138	146,092	-	525,230
Public Health Services	2,909	-	-	2,909
Leisure Time Activities	1,010	42,460	-	43,470
Community Environment	17,510	-	-	17,510
Transportation	134,163	247,095	-	381,258
Capital Outlay	75,024	7,500	680,508	763,032
<i>Debt Service:</i>				
Redemption of Principal	29,739	41,484	-	71,223
Interest and Fiscal Charges	9,510	5,294	-	14,804
<b>Total Cash Disbursements</b>	<b>907,415</b>	<b>489,925</b>	<b>680,508</b>	<b>2,077,848</b>
Receipts Over (Under) Disbursements	(405,776)	(107,184)	(110,436)	(623,396)
<i>Other Financing Receipts (Disbursements):</i>				
Loan Proceeds	-	-	110,436	110,436
Sale of Fixed Assets	6,300	228,000	-	234,300
Transfers-In	-	6,000	-	6,000
Transfers-Out	(6,000)	-	-	(6,000)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>300</b>	<b>234,000</b>	<b>110,436</b>	<b>344,736</b>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(405,476)	126,816	-	(278,660)
Fund Cash Balances, January 1	908,113	79,433	-	987,546
<i>Fund Cash Balances, December 31</i>				
Restricted	-	206,249	-	206,249
Unassigned	502,637	-	-	502,637
<b>Fund Cash Balances, December 31</b>	<b>\$ 502,637</b>	<b>\$ 206,249</b>	<b>\$ -</b>	<b>\$ 708,886</b>

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

**VILLAGE OF CLEVES  
HAMILTON COUNTY, OHIO  
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, 2011**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 849,168	\$ 854,654	\$ 1,703,822
Fines, Licenses and Permits	4,149	-	4,149
Total Operating Cash Receipts	<u>853,317</u>	<u>854,654</u>	<u>1,707,971</u>
<i>Operating Cash Disbursements:</i>			
Personal Services	232,424	-	232,424
Employee Fringe Benefits	80,548	-	80,548
Contractual Services	283,101	865,591	1,148,692
Supplies and Materials	153,361	-	153,361
Total Operating Cash Disbursements	<u>749,434</u>	<u>865,591</u>	<u>1,615,025</u>
Operating Income	<u>103,883</u>	<u>(10,937)</u>	<u>92,946</u>
<i>Non-Operating Cash Receipts:</i>			
Other Non-Operating Receipts	-	79,543	79,543
Total Non-Operating Cash Receipts	<u>-</u>	<u>79,543</u>	<u>79,543</u>
<i>Non-Operating Cash Disbursements:</i>			
Capital Outlay	46,013	-	46,013
Redemption of Principal	56,674	-	56,674
Interest and Other Fiscal Charges	49,211	-	49,211
Other Non-Operating Disbursements	-	80,521	80,521
Total Non-Operating Cash Disbursements	<u>151,898</u>	<u>80,521</u>	<u>232,419</u>
Net Receipts Over (Under) Disbursements	(48,015)	(11,915)	(59,930)
Fund Cash Balances, January 1	<u>120,447</u>	<u>77,349</u>	<u>197,796</u>
Fund Cash Balances, December 31	<u>\$ 72,432</u>	<u>\$ 65,434</u>	<u>\$ 137,866</u>

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

**VILLAGE OF CLEVES  
HAMILTON COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<i>Cash Receipts:</i>				
Property and Other Local Taxes	\$ 525,036	\$ 109,585	\$ -	\$ 634,621
Intergovernmental	275,468	111,526	250,389	637,383
Charges for Services	63,093	44,540	-	107,633
Fines, Licenses and Permits	138,107	6,210	-	144,317
Earnings on Investments	2,674	17	-	2,691
Miscellaneous	4,815	22,986	-	27,801
<b>Total Cash Receipts</b>	<b>1,009,193</b>	<b>294,864</b>	<b>250,389</b>	<b>1,554,446</b>
<i>Cash Disbursements:</i>				
<i>Current:</i>				
General Government	317,543	-	-	317,543
Security of Person and Property	600,631	72,348	-	672,979
Public Health Services	2,836	-	-	2,836
Leisure Time Activities	-	56,264	-	56,264
Community Environment	147,622	-	-	147,622
Transportation	192,704	170,855	-	363,559
Capital Outlay	-	-	250,389	250,389
<i>Debt Service:</i>				
Redemption of Principal	28,654	40,567	-	69,221
Interest and Fiscal Charges	14,992	2,461	-	17,453
<b>Total Cash Disbursements</b>	<b>1,304,982</b>	<b>342,495</b>	<b>250,389</b>	<b>1,897,866</b>
Receipts Over (Under) Disbursements	(295,789)	(47,631)	-	(343,420)
<i>Other Financing Receipts (Disbursements):</i>				
Transfers-In	-	23,600	-	23,600
Transfers-Out	(23,600)	-	-	(23,600)
Advances-In	14,000	10,000	-	24,000
Advances Out	(10,000)	(10,000)	-	(20,000)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(19,600)</b>	<b>23,600</b>	<b>-</b>	<b>4,000</b>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(315,389)	(24,031)	-	(339,420)
Fund Cash Balances, January 1	1,223,502	103,464	-	1,326,966
Fund Cash Balances, December 31	<u>\$ 908,113</u>	<u>\$ 79,433</u>	<u>\$ -</u>	<u>\$ 987,546</u>

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

**VILLAGE OF CLEVES  
HAMILTON COUNTY, OHIO  
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, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 805,130	\$ 735,833	\$ 1,540,963
Fines, Licenses and Permits	4,145	-	4,145
<b>Total Operating Cash Receipts</b>	<b>809,275</b>	<b>735,833</b>	<b>1,545,108</b>
<i>Operating Cash Disbursements:</i>			
Personal Services	222,685	-	222,685
Employee Fringe Benefits	72,179	-	72,179
Contractual Services	283,383	740,674	1,024,057
Supplies and Materials	163,744	-	163,744
<b>Total Operating Cash Disbursements</b>	<b>741,991</b>	<b>740,674</b>	<b>1,482,665</b>
Operating Income	67,284	(4,841)	62,443
<i>Non-Operating Cash Receipts:</i>			
Proceeds from Sale of Bonds	34,741	-	34,741
Other Non-Operating Receipts	-	94,776	94,776
<b>Total Non-Operating Cash Receipts</b>	<b>34,741</b>	<b>94,776</b>	<b>129,517</b>
<i>Non-Operating Cash Disbursements:</i>			
Capital Outlay	88,606	-	88,606
Redemption of Principal	85,911	-	85,911
Interest and Other Fiscal Charges	52,613	-	52,613
Other Non-Operating Disbursements	-	98,690	98,690
<b>Total Non-Operating Cash Disbursements</b>	<b>227,130</b>	<b>98,690</b>	<b>325,820</b>
Excess of Receipts Over Disbursements Before Transfers and Advances	(125,105)	(8,755)	(133,860)
Advances Out	(4,000)	-	(4,000)
Net Receipts Over (Under) Disbursements	(129,105)	(8,755)	(137,860)
Fund Cash Balances, January 1	249,552	86,104	335,656
Fund Cash Balances, December 31	<u>\$ 120,447</u>	<u>\$ 77,349</u>	<u>\$ 197,796</u>

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

**VILLAGE OF CLEVES  
HAMILTON COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Cleves, Hamilton County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations and police protection. Beginning in 2011, the Village contracts with Miami Township for fire protection services.

The Village participates in the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Note 8 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.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds are recorded at share values the mutual funds report.

**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 reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF CLEVES  
HAMILTON COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

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

*Fire Levy Service Fund* - This fund received tax revenue to operate the Village Fire Department through 2010. In 2011, the tax revenue was used to provide fire protection under contract with Miami Township.

**3. Capital Projects Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

*Grant Construction Fund* - This fund uses monies from OPWC state grants to fund construction projects in the Village.

*GMRC Water Fund* - This fund used monies from an OPWC state grant for a water main replacement project.

**4. Enterprise Funds**

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

*Water Fund* - This fund receives charges for services from residents to cover water service costs.

*Garbage and Trash Collection Fund* - This fund receives charges for services from residents to cover garbage and trash collection service costs.

**5. Fiduciary Fund (Agency Fund)**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following Fiduciary Funds:

**VILLAGE OF CLEVES  
HAMILTON COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

*Metropolitan Sewer District Agency Fund* - This fund receives charges for services from residents on behalf of the Metropolitan Sewer District of Greater Cincinnati (MSD) to cover the cost of providing sewer service by MSD. The Village remits 93 percent of amounts billed to customers to MSD and retains seven percent as an administrative fee for the billing and collecting process.

*Mayor's Court Fund* - This fund receives fines and forfeitures collected by Mayor's Court which are distributed to the Village and State.

**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 control, and appropriations may not exceed estimated resources. The Village 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

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

**VILLAGE OF CLEVES  
HAMILTON COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**H. 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.



**VILLAGE OF CLEVES  
HAMILTON COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**2. EQUITY IN POOLED 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:

	<u>2011</u>	<u>2010</u>
Demand deposits	\$372,853	\$591,201
Certificates of deposit	100,817	100,000
Total deposits	<u>473,670</u>	<u>691,201</u>
Money Market	373,082	494,141
Total investments	<u>373,082</u>	<u>494,141</u>
Total deposits and investments	<u>\$846,752</u>	<u>\$1,185,342</u>

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

**Investments:** Investments in 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, 2011 and 2010 follows:

<u>2011 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	
	<u>Receipts</u>	<u>Receipts</u>	<u>Variance</u>
General	\$ 551,041	\$ 507,939	\$ (43,102)
Special Revenue	612,107	616,741	4,634
Capital Projects	680,508	680,508	-
Enterprise	884,685	853,317	(31,368)
Total	<u>\$ 2,728,341</u>	<u>\$ 2,658,505</u>	<u>\$ (69,836)</u>

<u>2011 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	
	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$ 1,436,284	\$ 913,415	\$ 522,869
Special Revenue	680,472	489,925	190,547
Capital Projects	141,520	680,508	(538,988)
Enterprise	1,005,132	901,332	103,800
Total	<u>\$ 3,263,408</u>	<u>\$ 2,985,180</u>	<u>\$ 278,228</u>

**VILLAGE OF CLEVES  
HAMILTON COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,008,164	\$ 1,023,193	\$ 15,029
Special Revenue	328,422	328,464	42
Capital Projects	250,389	250,389	-
Enterprise	874,851	844,016	(30,835)
Total	\$ 2,461,826	\$ 2,446,062	\$ (15,764)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,242,997	\$ 1,338,582	\$ 904,415
Special Revenue	426,887	352,495	74,392
Capital Projects	250,389	250,389	-
Enterprise	1,124,403	973,121	151,282
Total	\$ 4,044,676	\$ 2,914,587	\$ 1,130,089

**4. COMPLIANCE**

- Contrary to Ohio Revised Code Section 5705.41(B), three funds in 2011 had expenditures in excess of appropriations.
- Contrary to Ohio Revised Code Section 5705.39, one fund in 2010 and two funds in 2011 had appropriations in excess of estimated resources.
- Contrary to Ohio Revised Code Section 5705.36(A)(4) the Village did not obtain an amended certificate of estimated resources when actual resources available were known to be less than estimated resources. In addition, Ohio Revised Code Section 5705.36(A)(5) limits appropriations to estimated resources, or any amendments thereof. As a result, appropriations exceeded actual resources available in one fund in 2010 and two funds in 2011.

**5. PROPERTY TAX**

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

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

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.

**VILLAGE OF CLEVES  
HAMILTON COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 711,047	6.41%
Various Purpose Refunding and Improvement Bonds, Series 2008	351,795	3.61%
Water Works Equipment Bonds, Series 2008	15,600	3.10%
Vehicle Acquisition General Obligation Bonds, Series 2010	28,262	3.50%
OPWC GMRC Water Main Replacement Loan #CB210	<u>110,436</u>	0.00%
Total	<u>\$1,217,140</u>	

The Ohio Water Development Authority (OWDA) Loan was issued on March 13, 2000 for the purpose of constructing a water plant. OWDA approved the final total loan of \$941,229 for this project. This project was completed in 2002. The loan will be repaid semiannually over a period of 25 years at an interest rate of 6.41%.

The Various Purpose Refunding and Improvement Bonds, Series 2008, were issued for the purpose of (i) refunding bonds originally issued for the purpose of paying the cost of a vehicle for the Village and equipment (\$46,000 Vehicle Acquisition Refunding Bonds, Series 2008); (ii) refunding bonds originally issued for the purpose of paying the cost of a vehicle for the police department and equipment (\$17,707 Police Cruiser Refunding Bonds, Series 2008); (iii) refunding bonds originally issued for the purpose of paying the cost of a vehicle for the police department and equipment (\$20,863 Vehicle Acquisition Refunding Bonds, Series 2008); (iv) refinancing notes originally issued for the purpose of paying part of the cost of making improvements to Westgate Street in the Village (\$181,535 Westgate Street Improvement Bonds, Series 2008); (v) refinancing notes originally issued for the purpose of financing Westgate Drive Geotechnical Study, Main Street Reconstruction and State Route 264 Improvements in the Village (\$71,683 Road Improvement Bonds, Series 2008); (vi) refinancing notes originally issued for paying part of the cost of constructing improvements to Timberline Road in the Village (\$60,000 Timberline Road Improvement Bonds Series 2008); and paying issuance expenses. The Bonds were issued in a total amount of \$664,291 and are payable in varying amounts through December 1, 2018.

The Water Works Equipment Bonds, Series 2008, were issued for the purpose of purchasing equipment for the Water Works department and paying issuance expenses. The Bonds were issued in a total amount of \$59,640 and are payable in varying amounts through June 1, 2012.

The Vehicle Acquisition General Obligation Bonds, Series 2010, were issued for the purpose of retiring a \$34,751 Vehicle Acquisition Bond Anticipation Note, Series 2009, which matured on April 1, 2010. The Bonds were issued in a total amount of \$34,741 and are payable in varying amounts through April 1, 2015.

The OPWC Great Miami River Crossing Water Main Replacement Loan #CB210 was issued on July 1, 2011 for the purpose of constructing a water main. OPWC has approved up to \$300,000. As of December 31, 2011, the Village has drawn down \$110,436 of available funds. Repayment of the loan

**VILLAGE OF CLEVES  
HAMILTON COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

is scheduled to begin in January 2013 and will be repaid over 30 years at an interest rate of 0%. This loan is not included in the amortization schedule below since final project costs have not been established.

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

Year Ending December 31:	OWDA Loan	Various Purpose Refunding and Improvement Bond	Water Works Equipment Bonds	Vehicle Acquisition General Obligation Bonds	Totals (*)
2012	\$76,036	\$61,136	\$15,842	\$7,577	\$160,591
2013	76,036	55,288	-	7,573	138,897
2014	76,036	55,838	-	7,568	139,442
2015	76,036	56,388	-	7,564	139,988
2016	76,036	56,938	-	-	132,974
2017-2021	380,179	115,527	-	-	495,706
2022-2026	342,161	-	-	-	342,161
Total	<u>\$1,102,520</u>	<u>\$401,115</u>	<u>\$15,842</u>	<u>\$30,282</u>	<u>\$1,549,759</u>

(\*) Excludes amounts related to the OPWC Great Miami River Crossing Water Main Replacement Loan #CB210 that has not been finalized.

**7. RETIREMENT SYSTEMS**

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, 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, 2011.

**8. RISK POOL MEMBERSHIP**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk

**VILLAGE OF CLEVES  
HAMILTON COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	2010	2009
Assets	\$34,952,010	\$36,374,898
Liabilities	(14,320,812)	(15,256,862)
Net Assets	\$20,631,198	\$21,118,036

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Government's share of these unpaid claims collectible in future years is approximately \$44,000.

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

Contributions to PEP	
2010	\$47,759
2011	45,059

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

# Bastin & Company, LLC

*Certified Public Accountants*

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of Village Council  
Village of Cleves, Hamilton County, Ohio

We have audited the financial statements of the Village of Cleves, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 10, 2012, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. For the year ended December 31, 2011, we noted the Village implemented Governmental Accounting Standard Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Controls Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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 grant agreements, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2011-01 through 2011-03.

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

We noted certain matters that we have reported to management of the Village in a separate letter dated August 10, 2012.

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

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
August 10, 2012

**VILLAGE OF CLEVES  
HAMILTON COUNTY, OHIO  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2011 AND 2010**

FINDING NUMBER 2011-01

Ohio Revised Code Section 5705.41(B) states that, “no subdivision or taxing unit is to expend money unless it has been appropriated”. The following funds had expenditures that exceeded appropriations for the year ended December 31, 2011:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
State Highway	\$7,395	\$8,722	(\$1,327)
Police Disability and Pension	16,254	18,500	(2,246)
Grant Construction	31,084	570,072	(538,988)

Village’s Response

The Village will more closely monitor appropriated amounts compared to expenditures to ensure compliance.

FINDING NUMBER 2011-02

Ohio Revised Code Section 5705.39 prohibits appropriations in excess of estimated resources. The following funds had appropriations that exceeded estimated resources:

<u>Year/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<i>2011</i>			
Street Construction, Maintenance and Repair Fund	\$133,845	\$134,845	(\$1,000)
Enforcement and Education	515	867	(352)
<i>2010</i>			
General	2,231,666	2,242,997	(11,331)

Village’s Response

The Village will more closely monitor estimated resources compared to appropriated amounts to ensure compliance.

FINDING NUMBER 2011-03

Ohio Revised Code Section 5705.36(A)(4) requires that when it is known that actual resources will be less than currently estimated resources, and the deficiency will reduce available resources below the current level of appropriation, an amended certificate of estimated resources should be obtained to reduce estimated resources available for appropriation. In addition, Ohio Revised Code Section 5705.36(A)(5) limits appropriations to estimated resources, or any amendments thereof.



The following funds had estimated resources available that exceeded actual resources available, and the deficiency reduced available resources below the current level of appropriation contrary to Ohio Revised Code Section 5705.36(A)(4) and Ohio Revised Code Section 5705.36(A)(5):

<u>Year/Fund</u>	<u>Actual Resources Available</u>	<u>Appropriations</u>	<u>Variance</u>
<i>2011</i>			
General	\$1,416,052	\$1,436,284	(\$20,232)
Water Operating	769,232	802,605	(33,373)
<i>2010</i>			
Water Operating	893,699	926,628	(32,929)

Village's Response

The Village will more closely monitor actual resources compared to appropriated amounts to ensure compliance.

**VILLAGE OF CLEVES  
HAMILTON COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Status Explanation</b>
2009-01	Financial Statement Presentation	Partially Corrected	A management letter comment has been made for the current audit period.
2009-02	Lack of Segregation of Duties in the Mayor's Court Clerk	Partially Corrected	A management letter comment has been made for the current audit period.
2009-03	Lack of Segregation of Duties in the Water/Sewer Department	Yes	Prior recommendations were implemented.
2009-04	Lack of maintaining a detailed capital assets listing	Yes	Prior recommendations were implemented.



# Dave Yost • Auditor of State

VILLAGE OF CLEVES

HAMILTON COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 11, 2012