



**VILLAGE OF CLARKSVILLE
CLINTON COUNTY
Regular Audit
For the Years Ended December 31, 2018 and 2017**

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KEITH FABER



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Village Council
Village of Clarksville
P. O. Box 167
Clarksville, Ohio 45113

We have reviewed the *Independent Auditor's Report* of the Village of Clarksville, Clinton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. 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 Clarksville is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 9, 2019

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VILLAGE OF CLARKSVILLE
CLINTON COUNTY

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INDEPENDENT AUDITOR'S REPORT

July 25, 2019

Village of Clarksville
Clinton County
PO Box 167
Clarksville, OH 45113

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 **Village of Clarksville**, Clinton County (the Village) as of and for the years ended December 31, 2018 and 2017.

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 such 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.

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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, 2018 and 2017, and the respective changes in financial position and cash flows 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 by fund type, and related notes of the Village of Clarksville, Clinton County as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As disclosed in Note 1, on September 15, 2015, the Auditor of State declared the Village to be in a state of fiscal emergency, in accordance with Section 11.03 of the Ohio Revised Code. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2019, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 6,915	\$ 2,639	\$ 9,554
Municipal Income Tax	58,024	-	58,024
Intergovernmental	13,304	25,815	39,119
Special Assessments	-	11,092	11,092
Charges for Services	3,602	-	3,602
Earnings on Investments	83	76	159
Miscellaneous	262	50	312
<i>Total Cash Receipts</i>	<u>82,190</u>	<u>39,672</u>	<u>121,862</u>
Cash Disbursements			
Current:			
Security of Persons and Property	164	11,180	11,344
Transportation	-	27,386	27,386
General Government	28,123	2,193	30,316
Capital Outlay	609	5,500	6,109
Debt Service:			
Principal Retirement	-	1,276	1,276
Interest and Fiscal Charges	-	826	826
<i>Total Cash Disbursements</i>	<u>28,896</u>	<u>48,361</u>	<u>77,257</u>
<i>Net Change in Fund Cash Balances</i>	53,294	(8,689)	44,605
<i>Fund Cash Balances, January 1</i>	<u>(30,407)</u>	<u>165,576</u>	<u>135,169</u>
Fund Cash Balances, December 31			
Nonspendable	14,336	-	14,336
Restricted	-	156,887	156,887
Assigned	269	-	269
Unassigned	8,282	-	8,282
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 22,887</u></u>	<u><u>\$ 156,887</u></u>	<u><u>\$ 179,774</u></u>

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 290,116
Miscellaneous	1,017
	<u>291,133</u>
<i>Total Operating Cash Receipts</i>	<u>291,133</u>
Operating Cash Disbursements	
Personal Services	35,179
Employee Fringe Benefits	6,409
Contractual Services	182,617
Supplies and Materials	20,409
Other	383
	<u>244,997</u>
<i>Total Operating Cash Disbursements</i>	<u>244,997</u>
<i>Operating Income</i>	<u>46,136</u>
Non-Operating (Disbursements)	
Capital Outlay	(715)
Principal Retirement	(116,517)
Interest and Other Fiscal Charges	(3,860)
	<u>(121,092)</u>
<i>Total Non-Operating (Disbursements)</i>	<u>(121,092)</u>
<i>Net Change in Fund Cash Balances</i>	(74,956)
<i>Fund Cash Balances, January 1</i>	<u>144,031</u>
<i>Fund Cash Balances, December 31</i>	\$ 69,075

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 1 – REPORTING ENTITY

The Village of Clarksville, Clinton County, (the Village) as a body politic and corporate established to exercise the right 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 government services, water and sewer utilities, road and bridge maintenance, and street lighting special assessments. The Village contract with the Clinton County Sheriff's department to provide security of persons and property.

On September 15, 2015, the Ohio Auditor of State declared the Village of Clarksville in fiscal emergency, as defined by Ohio Revised Code Section 118.03. The declaration resulted in the establishment of a financial planning and supervision commission. The Commission is comprised of a representative of the Office of Budget and Management, a representative of the Treasurer of State, the President of the Council of the Village of Clarksville, the Clinton County Auditor, and three individuals appointed by the Governor who are residents of the Village of Clarksville and meet certain criteria. The Commission is responsible for approving a financial recovery plan that eliminates the fiscal emergency conditions, balances the budget, and avoids future deficits.

In accordance with the Ohio Revised Code Section 118.06, the Village of Clarksville is required to submit to the Commission a financial recovery plan which outlines the measures to be taken to eliminate the fiscal emergency condition. The Commission approved the initial recovery plan on October 27, 2015.

Jointly Governed Organization

The Village participates in a jointly governed organization, the Clinton-Warren Joint Fire and Rescue District. Note 12 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, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

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.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

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 Funds:

Permissive Motor Vehicle License Fund – This fund account for and reports permissive license taxes received from Clinton County for street projects.

Street Lighting Special Assessment Fund – This fund accounts for and reports charges restricted to maintain traffic lights and signals.

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 – To account for and report the provision of water services to residents and businesses of the Village.

Sewer Fund – To account for and report the provision of sanitary sewer services to residents and businesses of the Village.

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. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentation 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.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 in the subsequent year.

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

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

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.

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 (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.

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.

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.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 law, at December 31, 2018, the Waste Enterprise Fund had a cash deficit balance. Also, contrary to Ohio law, appropriations exceeded estimated resources in the Waste Enterprise Fund for the year ended December 31, 2018.

Note 4 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2018:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 82,214	\$ 82,190	\$ (24)
Special Revenue	39,651	39,672	21
Capital Projects	290,459	-	(290,459)
Enterprise	291,132	291,133	1
Total	\$ 703,456	\$ 412,995	\$ (290,461)
2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 29,172	\$ 29,170	\$ 2
Special Revenue	48,361	48,361	-
Enterprise	366,575	366,489	86
Total	\$ 444,108	\$ 444,020	\$ 88

Note 5 – DEPOSITS

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

	2018
Demand deposits	\$ 248,849
Total deposits	\$ 248,849

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 5 – DEPOSITS (Continued)

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure repayment of all public monies deposited in the financial institution.

Note 6 - DEBT

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest
OWDA Loan 3289	94,283	2.20%
OWDA Loan 6127	43,279	1.50%
OPWC Loan CJ04C	126,043	0.00%
OPWC Loan CJ21P	639,910	0.00%
	\$ 903,515	

The Ohio Water Development Authority (OWDA) loan #3289 obtained in 2001 relates to the wastewater treatment plant project. The OWDA approved \$780,427 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$24,222 including interest, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The loan is paid from the Sewer Fund.

The OWDA loan #6127 relates to a 2012 wastewater force main repair project. OWDA approved up to \$114,130. The estimated payment was \$2,369. The Village only drew \$51,833 for the project. The Village made the first three payments based on the estimated amount. The loan was scheduled to be repaid over 30 years at 1.5%. The revised amortization schedule states the loan will be repaid in semi-annual installments of \$1,077. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The loan is paid from the Sewer Fund.

The Ohio Public Works (OPWC) loan #CJ04C obtained in 2001 relates to waste water treatment and collection system improvements. The OPWC loans will be repaid in semi-annual installments of \$21,008, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. The loan is paid from the Sewer Fund.

The OPWC loan CJ21P was issued in 2012 relating to a water main replacement project. OPWC approved up to \$915,000 at a rate of 0%. At December 31, 2018, the Village had drawn \$738,360 of the available funds. The loan will be repaid in semi-annual installments over 30 years beginning January 1, 2015. The loan is collateralized by water and sewer receipts. The loan is paid from the Water Fund.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 6 – DEBT (Continued)

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

Year ending December 31:	OWDA 3289	OWDA 6127	OPW C CJ04C	OPW C CJ21P
2019	48,444	2,154	42,015	24,612
2020	48,444	2,154	42,015	24,612
2021	-	2,154	42,013	24,612
2022	-	2,154	-	24,612
2023	-	2,154	-	24,612
2024-2028	-	10,770	-	123,060
2029-2033	-	10,770	-	123,060
2034-2038	-	10,770	-	123,059
2039-2043	-	8,616	-	123,060
2044	-	-	-	24,611
Total	<u>\$ 96,888</u>	<u>\$ 51,696</u>	<u>\$ 126,043</u>	<u>\$ 639,910</u>

Note 7 – 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.

Public utilities are also taxed on personal 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.

Income Taxes

Beginning July 1, 2016, the Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file declaration annually.

Note 8 - RISK MANAGEMENT

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 8 - RISK MANAGEMENT (Continued)

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Commercial General Liability Coverage Part
- Public Officials Liability Coverage Part
- Employment Practices Liability Coverage Part
- Commercial Property Coverage Part
- Equipment Breakdown Coverage Part
- Commercial Inland Marine Coverage Part
- Commercial Crime Coverage Part
- Commercial Auto Coverage Part
- Commercial Excess Coverage Part

The Village is uninsured for the following risks:

- Commercial Employees Benefits Coverage Part
- Commercial Liquor Liability Coverage Part
- Law Enforcement Liability Coverage Part
- EDP Coverage
- Terrorism Risk Insurance Act (TRIA) Property
- TRIA Causality

Note 9 – 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 plans. The Ohio Revised Code prescribes the plans' 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, 2018.

Note 10 – POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multi-employer defined benefit postemployment plans, 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during the calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4 percent during calendar year 2018.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 11 - CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 - JOINTLY GOVERNED ORGANIZATION

The constitution and laws of the State of Ohio establish the right and privileges of the Clinton-Warren Joint Fire and Rescue District, Clinton County, (the District) as a body corporate and politic. A five-member Board of Trustees governs the District. Each political subdivision with the District appoints one member. Each year, a member-at-large is appointed by the political subdivisions within the District. The authority to appoint the member-at-large is rotated annually between the political subdivisions within the District. Those subdivisions are the Village of Clarksville, Vernon Township, and Adams Township of Clinton County, and Washington Township of Warren County. The District provides fire protection and rescue services within the District and by contract to areas outside the District. The Board exercise total control over the operations of the District including budgeting, appropriating, contracting, and designating management. Each subdivision's degree of control is limited to its representation on the Board. The Village made no contributions during 2018.

Note 13 – CONTRACTUAL COMMITMENT

As of December 31, 2018, the Village had the following outstanding balances:

Vendor	Amount Outstanding
Western Water	\$ 534,243

The Village is in negotiation with Western Water to resolve the large outstanding balance and is considering several options.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 7,068	\$ 2,756	\$ 9,824
Municipal Income Tax	48,590	-	48,590
Intergovernmental	13,878	26,373	40,251
Special Assessments	-	10,915	10,915
Charges for Services	3,608	-	3,608
Earnings on Investments	108	-	108
Miscellaneous	994	70	1,064
<i>Total Cash Receipts</i>	<u>74,246</u>	<u>40,114</u>	<u>114,360</u>
Cash Disbursements			
Current:			
Security of Persons and Property	162	11,321	11,483
Public Health Services	1,096	-	1,096
Transportation	-	2,885	2,885
General Government	25,245	2,227	27,472
Capital Outlay	30	3,250	3,280
Debt Service:			
Principal Retirement	-	1,952	1,952
Interest and Fiscal Charges	-	150	150
<i>Total Cash Disbursements</i>	<u>26,533</u>	<u>21,785</u>	<u>48,318</u>
<i>Excess of Receipts Over Disbursements</i>	<u>47,713</u>	<u>18,329</u>	<u>66,042</u>
Other Financing Receipts			
Transfers In	1	-	1
<i>Total Other Financing Receipts</i>	<u>1</u>	<u>-</u>	<u>1</u>
<i>Net Change in Fund Cash Balances</i>	47,714	18,329	66,043
<i>Fund Cash Balances, January 1</i>	<u>(78,121)</u>	<u>147,247</u>	<u>69,126</u>
Fund Cash Balances, December 31			
Nonspendable	14,336	-	14,336
Restricted	-	165,576	165,576
Assigned	-	-	-
Unassigned (Deficit)	<u>(44,743)</u>	<u>-</u>	<u>(44,743)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ (30,407)</u>	<u>\$ 165,576</u>	<u>\$ 135,169</u>

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 348,767
Miscellaneous	1,178
	<u>349,945</u>
<i>Total Operating Cash Receipts</i>	<u>349,945</u>
Operating Cash Disbursements	
Personal Services	36,853
Employee Fringe Benefits	6,568
Contractual Services	164,663
Supplies and Materials	20,297
Other	855
	<u>229,236</u>
<i>Total Operating Cash Disbursements</i>	<u>229,236</u>
<i>Operating Income</i>	<u>120,709</u>
Non-Operating (Disbursements)	
Capital Outlay	(580)
Principal Retirement	(115,652)
Interest and Other Fiscal Charges	(4,727)
	<u>(120,959)</u>
<i>Total Non-Operating (Disbursements)</i>	<u>(120,959)</u>
<i>(Loss) before Transfers</i>	(250)
Transfers Out	(1)
	<u>(1)</u>
<i>Net Change in Fund Cash Balances</i>	(251)
<i>Fund Cash Balances, January 1</i>	<u>144,282</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 144,031</u>

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 – REPORTING ENTITY

The Village of Clarksville, Clinton County, (the Village) as a body politic and corporate established to exercise the right 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 government services, water and sewer utilities, road and bridge maintenance, and street lighting special assessments. The Village contract with the Clinton County Sheriff's department to provide security of persons and property.

On September 15, 2015, the Ohio Auditor of State declared the Village of Clarksville in fiscal emergency, as defined by Ohio Revised Code Section 118.03. The declaration resulted in the establishment of a financial planning and supervision commission. The Commission is comprised of a representative of the Office of Budget and Management, a representative of the Treasurer of State, the President of the Council of the Village of Clarksville, the Clinton County Auditor, and three individuals appointed by the Governor who are residents of the Village of Clarksville and meet certain criteria. The Commission is responsible for approving a financial recovery plan that eliminates the fiscal emergency conditions, balances the budget, and avoids future deficits.

In accordance with the Ohio Revised Code Section 118.06, the Village of Clarksville is required to submit to the Commission a financial recovery plan which outlines the measures to be taken to eliminate the fiscal emergency condition. The Commission approved the initial recovery plan on October 27, 2015.

Jointly Governed Organization

The Village participates in a jointly governed organization, the Clinton-Warren Joint Fire and Rescue District. Note 13 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, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

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.

VILLAGE OF CLARKSVILLE
CLINTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

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 Funds:

State Highway Fund – This fund accounts for and reports State share of gasoline tax and motor vehicle license tax revenue and all disbursements restricted to roads, including improvements, paving, snow removal, salt/sand, gravel, blacktop, maintenance, payroll, supplies, purchases, fuel, vehicle equipment, and maintenance.

Street Construction, Maintenance and Repair Fund – This fund accounts for and reports all disbursements restricted to roads, including improvements, paving, snow removal, salt/sand, gravel, blacktop, maintenance, payroll, supplies, purchases, fuel, vehicle equipment, and maintenance.

Street Lighting Special Assessment Fund – This fund accounts for and reports charges restricted to maintain traffic lights and signals.

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 – To account for and report the provision of water services to residents and businesses of the Village.

Sewer Fund – To account for and report the provision of sanitary sewer services to residents and businesses of the Village.

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. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentation report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

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.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)**

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 in the subsequent year.

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

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.

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 (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.

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.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)**

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 law, at December 31, 2017, the General and Waste Enterprise Funds had cash deficit balances. Also, contrary to Ohio law, appropriations exceeded estimated resources in the General, Permissive Motor Vehicle License, Sewer Enterprise, and Waste Enterprise Funds for the year ended December 31, 2017.

Note 4 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2017:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 67,860	\$ 74,247	\$ 6,387
Special Revenue	38,500	40,114	1,614
Enterprise	334,000	349,945	15,945
Total	\$ 440,360	\$ 464,306	\$ 23,946

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 33,840	\$ 26,605	\$ 7,235
Special Revenue	130,576	21,796	108,780
Enterprise	413,386	350,718	62,668
Total	\$ 577,802	\$ 399,119	\$ 178,683

Note 5 – DEPOSITS

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

	2017
Demand deposits	\$ 279,200
Total deposits	\$ 279,200

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)**

Note 5 – DEPOSITS (Continued)

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure repayment of all public monies deposited in the financial institution.

Note 6 - DEBT

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest</u>
OWDA Loan 3289	139,899	2.20%
OWDA Loan 6127	44,767	1.50%
OPWC Loan CJ04C	168,059	0.00%
OPWC Loan CJ21P	664,522	0.00%
Skid Loader	4,061	
	<u>\$ 1,021,308</u>	

The Ohio Water Development Authority (OWDA) loan #3289 obtained in 2001 relates to the wastewater treatment plant project. The OWDA approved \$780,427 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$24,222 including interest, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The loan is paid from the Sewer Fund.

The OWDA loan #6127 relates to a 2012 wastewater force main repair project. OWDA approved up to \$114,130. The estimated payment was \$2,369. The Village only drew \$51,833 for the project. The Village made the first three payments based on the estimated amount. The loan was scheduled to be repaid over 30 years at 1.5%. The revised amortization schedule states the loan will be repaid in semi-annual installments of \$1,077. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The loan is paid from the Sewer Fund.

The Ohio Public Works (OPWC) loan #CJ04C obtained in 2001 relates to waste water treatment and collection system improvements. The OPWC loans will be repaid in semi-annual installments of \$21,008, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. The loan is paid from the Sewer Fund.

The OPWC loan CJ21P was issued in 2012 relating to a water main replacement project. OPWC approved up to \$915,000 at a rate of 0%. At December 31, 2016, the Village had drawn \$738,360 of the available funds. The loan will be repaid in semi-annual installments over 30 years beginning January 1, 2015. The loan is collateralized by water and sewer receipts. This loan is paid from the Water Fund.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)**

Note 6 – DEBT (Continued)

In 2011, the Village entered into a lease/purchase agreement for \$31,818 with Kansas State Bank of Manhattan to finance the purchase of a Skid Loader to be used by the various departments. The loan is to be repaid at 3.76% interest over seven years with a final loan payment due June 1, 2018. The loan is paid from the Street, Water, and Sewer Funds.

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

Year ending December 31:	OWDA 3289	OWDA 6127	OPWC CJ04C	OPWC CJ21P	Skid Loader
2018	48,444	2,154	42,015	24,612	5,255
2019	48,444	2,154	42,015	24,612	-
2020	48,144	2,154	42,015	24,612	-
2021	-	2,154	42,015	24,612	-
2022	-	2,154	-	24,612	-
2023-2027	-	10,770	-	123,060	-
2028-2032	-	10,770	-	123,060	-
2033-2037	-	10,770	-	123,060	-
2038-2042	-	10,770	-	123,059	-
2043-2045	-	-	-	49,223	-
Total	<u>\$ 145,032</u>	<u>\$ 53,850</u>	<u>\$ 168,060</u>	<u>\$ 664,522</u>	<u>\$ 5,255</u>

Note 7 – 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.

Public utilities are also taxed on personal 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.

Income Taxes

Beginning July 1, 2016, the Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file declaration annually.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)**

Note 8 – INTERFUND ACTIVITY

The Village transferred an uncashed warrant from a non-major enterprise fund to unclaimed monies fund in the amount of \$1.

Note 9 - RISK MANAGEMENT

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

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Commercial General Liability Coverage Part
- Public Officials Liability Coverage Part
- Employment Practices Liability Coverage Part
- Commercial Property Coverage Part
- Equipment Breakdown Coverage Part
- Commercial Inland Marine Coverage Part
- Commercial Crime Coverage Part
- Commercial Auto Coverage Part
- Commercial Excess Coverage Part

The Village is uninsured for the following risks:

- Commercial Employees Benefits Coverage Part
- Commercial Liquor Liability Coverage Part
- Law Enforcement Liability Coverage Part
- EDP Coverage
- Terrorism Risk Insurance Act (TRIA) Property
- TRIA Causality

Note 10 – 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 plans. The Ohio Revised Code prescribes the plans' 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, 2017.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)**

Note 11 – POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multi-employer defined benefit postemployment plans, 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1 percent during the calendar year 2017.

Note 12 - CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 13 - JOINTLY GOVERNED ORGANIZATION

The constitution and laws of the State of Ohio establish the right and privileges of the Clinton-Warren Joint Fire and Rescue District, Clinton County, (the District) as a body corporate and politic. A five-member Board of Trustees governs the District. Each political subdivision with the District appoints one member. Each year, a member-at-large is appointed by the political subdivisions within the District. The authority to appoint the member-at-large is rotated annually between the political subdivisions within the District. Those subdivisions are the Village of Clarksville, Vernon Township, and Adams Township of Clinton County, and Washington Township of Warren County. The District provides fire protection and rescue services within the District and by contract to areas outside the District. The Board exercise total control over the operations of the District including budgeting, appropriating, contracting, and designating management. Each subdivision's degree of control is limited to its representation on the Board.

Note 14 – CONTRACTUAL COMMITMENT

As of December 31, 2017, the Village had the following outstanding balances:

Vendor	Amount Outstanding
Western Water	\$ 532,755
Auditor of State	\$ 12,147

The Village is in negotiation with Western Water to resolve the large outstanding balance and is considering several options.



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

July 25, 2019

Village of Clarksville
Clinton County
PO Box 167
Clarksville, OH 45113

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 **Village of Clarksville**, Clinton County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated July 25, 2019 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. As disclosed in Note 1, on September 15, 2015, the Village was declared by the Auditor of State to be in a state of fiscal emergency.

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.

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Internal Control Over Financial Reporting (Continued)

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 audit findings that we consider a material weakness. We consider finding 2018-002 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 an instance of noncompliance or other matters we must report under *Government Auditing Standard* which is described in the accompanying schedule of audit findings as item 2018-001.

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Noncompliance

Ohio Rev. Code, § 5705.10(H) provides that money be paid in to a fund must be used only for the purposes for which such fund was established. As a result, a negative fund balances indicates that money from one fund was used to cover the expenses of another fund. The Village was placed in Fiscal Emergency on September 15, 2015 for a negative fund balance in its General Fund. As of December 31, 2017, the General and Waste Funds had negative fund balances of \$(30,407) and \$(11,381), respectively. As of December 31, 2018, the Waste Fund had a negative fund balance of \$(10,931).

We recommend the Village follow the steps outlined in its Financial Recovery Plan while monitoring fund balances and continuing efforts to restore the financial health of its funds.

Ohio Rev. Code, § 5705.39, provides that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established.

Ohio Rev. Code, § 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void. 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 the 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" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. 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.

VILLAGE OF CLARKSVILLE
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001 (Continued)

Noncompliance (Continued)

- 2) Blanket Certificate – The Fiscal Officer 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 the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional 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.

Conditions leading to budgetary noncompliance included:

- Appropriations exceeded estimated resources in the General, Permissive Motor Vehicle License, Sewer Enterprise, and Waste Enterprise Funds for 2017;
- Appropriations exceeded estimated resources in the Waste Enterprise Fund for 2018; and
- Did not properly certify the availability of funds prior to purchase for 33% of expenditures tested in 2018 and for 7% of expenditures tested for 2017.

Unless the exceptions noted above are used, prior certification is not only required by statute, but are key controls in the disbursement process to assure that purchase commitments receive prior approval. The lack of a proper internal control system allowed the Village to violate budgetary law and overspend.

The Village should gain an understanding of budgetary law and implement the required budgetary procedures to help reduce the risk of further noncompliance and overspending.

Officials' Response: We did not receive a response from officials to this finding.

VILLAGE OF CLARKSVILLE
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-002

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of the Village and is essential to ensure information provided to the readers of the financial statements is correct. Fund Balances should be properly classified based on Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2018 and 2017, disbursements and fund balances were not always posted or classified correctly. The following errors were noted:

- The General Fund balance was incorrectly classified as Unassigned when a portion should have been classified as Assigned in 2018;
- The Unclaimed Monies Fund cash balance in the General Fund was incorrectly classified as Unassigned instead of Nonspendable in 2018 and 2017; and
- In 2018, the principal and interest allocation for the final debt payment to Kansas State Bank was posted incorrectly.

Not posting disbursements or classifying fund balances accurately resulted in the financial statements requiring reclassifications and adjustments. The accompanying financial statements reflect all reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook, Technical Bulletin 2011-004, and other Auditor of State Resources for guidance to determine the proper posting of disbursements and classification of cash fund balances.

Officials' Response: We did not receive a response from officials to this finding.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Revised Code Section 5705.10(H) Ohio Revised Code Section 5705.39 Ohio Revised Code Section 5705.41(D)(1)	Not Corrected	Repeated in Finding 2018-001
2016-002	Disbursements and Fund Balance	Not Corrected	Repeated in Finding 2018-002

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF CLARKSVILLE

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 19, 2019**