



Dave Yost • Auditor of State

VILLAGE OF CLARKSVILLE
CLINTON COUNTY

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Dave Yost • Auditor of State

Village of Clarksville
Clinton County
119 First Street
P.O. Box 206
Clarksville, Ohio 45113

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

October 3, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Clarksville
Clinton County
119 First Street
P.O. Box 206
Clarksville, Ohio 45113

To the Village Council:

We have audited the accompanying financial statements of the Village of Clarksville, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe 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, 2010 and 2009 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, 2010 and 2009, 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 and reserves for encumbrances of Village of Clarksville, Clinton County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

October 3, 2011

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$17,323	\$0	\$17,323
Intergovernmental	14,346	27,055	41,401
Special Assessments		10,007	10,007
Charges for Services	3,750		3,750
Miscellaneous	111		111
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	35,530	37,062	72,592
Cash Disbursements:			
Current:			
Security of Persons and Property		16,224	16,224
Public Health Services	5,400		5,400
Transportation		54,518	54,518
General Government	26,991		26,991
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	32,391	70,742	103,133
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	3,139	(33,680)	(30,541)
Other Financing Receipts / (Disbursements):			
Transfers-Out	<hr/>	<hr/>	<hr/>
	(131)		(131)
Total Other Financing Receipts / (Disbursements)	<hr/>	<hr/>	<hr/>
	(131)	0	(131)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,008	(33,680)	(30,672)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	5,576	74,885	80,461
Fund Cash Balances, December 31	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$8,584	\$41,205	\$49,789

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Operating Cash Receipts:	
Charges for Services	\$309,993
Total Operating Cash Receipts	309,993
Operating Cash Disbursements:	
Personal Services	32,280
Employee Fringe Benefits	4,763
Contractual Services	192,358
Supplies and Materials	19,735
Other	48
Total Operating Cash Disbursements	249,184
Operating Income/(Loss)	60,809
Non-Operating Cash Disbursements:	
Capital Outlay	
Redemption of Principal	99,103
Interest and Other Fiscal Charges	12,516
Total Non-Operating Cash Disbursements	111,619
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(50,810)
Transfers-In	131
Net Receipts Over/(Under) Disbursements	(50,679)
Fund Cash Balances, January 1	129,376
Fund Cash Balances, December 31	\$56,897
Reserve for Encumbrances, December 31	\$21,800

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$17,423	\$355	\$17,778
Intergovernmental	14,904	25,563	40,467
Special Assessments		10,070	10,070
Charges for Services	3,450		3,450
	<u>35,777</u>	<u>35,988</u>	<u>71,765</u>
Total Cash Receipts			
	<u>35,777</u>	<u>35,988</u>	<u>71,765</u>
Cash Disbursements:			
Current:			
Security of Persons and Property		5,924	5,924
Public Health Services	6,000		6,000
Transportation		22,304	22,304
General Government	33,492		33,492
Debt Service:			
Redemption of Principal		10,586	10,586
Interest and Fiscal Charges		391	391
	<u>39,492</u>	<u>39,205</u>	<u>78,697</u>
Total Cash Disbursements			
	<u>39,492</u>	<u>39,205</u>	<u>78,697</u>
Total Receipts Over/(Under) Disbursements	<u>(3,715)</u>	<u>(3,217)</u>	<u>(6,932)</u>
Fund Cash Balances, January 1	<u>8,691</u>	<u>79,151</u>	<u>87,842</u>
Fund Cash Balances, December 31	<u>\$3,627</u>	<u>\$73,837</u>	<u>\$80,910</u>
Reserve for Encumbrances, December 31	<u>\$1,349</u>	<u>\$2,097</u>	<u>\$3,446</u>

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Operating Cash Receipts:	
Charges for Services	\$370,921
Total Operating Cash Receipts	370,921
Operating Cash Disbursements:	
Personal Services	23,991
Employee Fringe Benefits	3,744
Contractual Services	146,219
Supplies and Materials	12,192
Other	562
Total Operating Cash Disbursements	186,708
Operating Income/(Loss)	184,213
Non-Operating Cash Receipts:	
Miscellaneous Receipts	30
Total Non-Operating Cash Receipts	30
Non-Operating Cash Disbursements:	
Capital Outlay	
Redemption of Principal	97,546
Interest and Other Fiscal Charges	14,099
Total Non-Operating Cash Disbursements	111,645
Net Receipts Over/(Under) Disbursements	72,598
Fund Cash Balances, January 1	57,377
Fund Cash Balances, December 31	\$103,599
Reserve for Encumbrances, December 31	\$26,376

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 Clarksville, Clinton 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, and road maintenance. The Village contracts with the Clinton County Sheriff's department to provide security of persons and property.

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 funds were deposited in a checking account with a local commercial bank.

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.

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.

Street Lights Fund – This fund receives special assessment tax money to pay for street lights on the village roads.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. 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.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. 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.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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:

	2010	2009
Demand deposits	\$128,486	\$214,331

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,309	\$35,530	\$221
Special Revenue	36,916	37,062	146
Enterprise	315,148	310,124	(5,024)
Total	\$387,373	\$382,716	(\$4,657)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,285	\$32,522	\$7,763
Special Revenue	112,812	70,742	42,070
Enterprise	445,424	382,603	62,821
Total	\$598,521	\$485,867	\$112,654

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,474	\$35,777	(\$1,697)
Special Revenue	37,741	35,988	(1,753)
Enterprise	291,570	370,951	79,381
Total	\$366,785	\$442,716	\$75,931

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,752	\$40,841	\$3,911
Special Revenue	75,545	41,302	34,243
Enterprise	328,481	324,729	3,752
Total	\$448,778	\$406,872	\$41,906

4. 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.

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

5. Debt

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
OWDA #3289	\$392,026	2%
OWDA #EVO428	4,964	0%
OPWC #CJO4C	441,161	0%
Meter Reading Equipment Lease	30,452	5%
Total	\$868,603	

The Ohio Water Development Authority (OWDA) loan #3289 relates to the wastewater treatment plant project. The OWDA approved up to \$825,557 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$25,623 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 OWDA loan #EV0428 was issued in 1993 relating to the water works improvements. The loan was secured by the water fund customer charges for services.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. Debt (Continued)

The Ohio Public Works (OPWC) loan #CJ04C relates to waste water treatment and collection system improvements. The OPWC loans will be repaid in semiannual installments of \$21,007, 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.

In September 2007, the Village entered a lease/purchase agreement for \$70,923 with Old National Bank to finance the purchase of Master Equipment for meter reading to be used by the Village's utility department. The loan is to be repaid at 5% interest over five years with the final loan payment in September 2012. Yearly payments of \$16,372 are being made from the Water Fund.

In November 2004, the Village signed a lease/purchase agreement for \$48,821 with Farmer's Bank and Trust to finance the purchase of a 2005 GMC dump truck to be used for the Village's street and water department. The loan was repaid at 4.04% interest over five years, with the final loan payment made in December 2009. Yearly payments of \$10,977 were made from the Water, Sewer, and Street Funds. The note was unsecured and uncollateralized.

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

Year ending December 31:	OWDA #3289	OWDA #EVO248	OPWC #CJO4C	Meter Reading Equipment
2011	\$51,246	\$1,985	\$42,014	\$16,372
2012	51,246	1,985	42,014	16,372
2013	51,246	994	42,014	
2014	51,246		42,014	
2015	51,246		42,014	
2016-2020	230,607		210,070	
2021-2025			21,026	
Total	<u>\$486,837</u>	<u>\$4,964</u>	<u>\$441,166</u>	<u>\$32,744</u>

6. Retirement Systems

The Village's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, 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, 2010.

7. Risk Management

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and,
- Errors and omissions.

VILLAGE OF CLARKSVILLE
CLINTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

8. Subsequent Events

In 2011, the Village purchased a skid loader with a seven year loan calling for payments of \$5,255.49 a year.



Dave Yost • Auditor of State

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

Village of Clarksville
Clinton County
119 First Street
P.O. Box 206
Clarksville, Ohio 45113

To the Village Council:

We have audited the financial statements of the Village of Clarksville, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated October 3, 2011 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control 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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 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 timely corrected. We consider findings 2010-01 and 2010-02 described in the accompanying schedule of findings to be material weaknesses.

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-01 through 2010-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 3, 2011.

We intend this report solely for the information and use of management, Council, and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

October 3, 2011

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-01

Noncompliance Citation/Material Weakness

Ohio Revised Code, § 733.28, states, in part, that the Village Fiscal Officer shall keep the books of the Village, exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and income derived therefrom.

In addition, the Ohio Administrative Code § 117-2-02 (A) states “all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.”

The Village did not maintain an accurate record of all moneys received. The accounting records of the Village contained posting errors, and lacked correct classifications of receipts and expenditures. As a result, those records which were maintained by the Fiscal Officer were not an accurate reflection of all monies received and expended. All of these conditions exhibit a lack of control over the recording and reporting of Village financial activity and did result in inaccurate and untimely accounting records.

We identified the following conditions which resulted in proposed audit adjustments:

- In 2010 and 2009, the Village incorrectly classified motor vehicle and permissive tax receipts in the Special Revenue Funds, resulting in an understatement of Intergovernmental Receipts and an overstatement of Property Tax Receipts, in the amounts of \$7,095.61 and \$6,843.10, respectively.
- In 2009, the Village incorrectly classified the dump truck lease payment in resulting in an understatement of Principal and Interest & Fiscal Charges of \$10,586 and \$391, respectively, and overstatement of Transportation disbursement of \$10,977 within the State Highway Fund.
- In 2010 and 2009, the Village incorrectly classified the principal portion of the debt payment for the Ohio Public Works Commission (OPWC) loan resulting in understatement of Principal and overstatement of Interest & Fiscal Charges in the Water Fund in the amount of \$1,985 each year.
- In 2010 and 2009, the Village incorrectly classified the meter reading equipment lease payments resulting in understatement of Principal and Interest & Fiscal Charges and overstatement of Contractual Services in the Water Fund, as follows:

Line Item	Amount Overstated/(Understated)	
	2010	2009
Principal	(\$14,151)	(\$13,480)
Interest & Fiscal Charges	(2,221)	(2,893)
Contractual Services	16,372	16,373

**FINDING NUMBER 2010-01
 (Continued)**

- In 2010 and 2009, the Village incorrectly classified debt payments related to an Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA) loan resulting in understatement of Principal and overstatement of Interest and Fiscal Charges in the Sewer Fund, as follows:

Line Item	Amount Overstated/(Understated)	
	2010	2009
Principal	(\$82,967)	(\$82,080)
Interest & Fiscal Charges	82,967	82,080

- At December 31, 2010 and 2009, the Village did not properly recognize outstanding purchase commitments resulting in overstatement of fund balance and understatement of Reserve for Encumbrances, as follows:

Fund Type	Fund Balance Overstated		Reserve for Encumbrances (Understated)	
	2010	2009	2010	2009
General	\$0	\$1,349	\$0	(\$1,349)
Special Revenue	0	2,097	0	(2,097)
Enterprise	21,800	26,376	(21,800)	(26,376)

- In 2010, the Village made a fund balance adjustment to the Street Construction, Maintenance & Repair Fund by error which resulted in an understatement of \$300. Also in 2010, the Village recorded a receipt twice by error within the Water Fund resulting in an overstatement of Charges for Services of \$160.

The records maintained by the Fiscal Officer were not an accurate reflection of all moneys received and expended.

The accompanying financial statements have been adjusted to properly reflect the expenditures and fund balances for the funds noted.

We also noted other conditions:

- At December 31, 2010, the Village had reconciling items totaling \$2,057.76 which was an accumulation of deposited checks for payment of utilities being returned as having been written on insufficient funds; however, the receipts were not removed from the ledgers. The Village also had \$7,195.61 in stale-dated outstanding checks, some of which dated back to January 2004. Four checks totaling \$5,545.14 were payroll checks to one employee, dating back to August 2005.
- In 2010, the Village did not provide any detailed records for utility receipts for October, November, and December. The receipts for those months totaled \$71,848.39.
- In 2009, the Village had three disbursement transactions with no or incomplete supporting documentation in the Enterprise Funds, totaling \$41,424.53. This also affected Auditor's ability to determine proper public purpose and if the expenditure amount agreed with the invoice.

**FINDING NUMBER 2010-01
(Continued)**

Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Village funds, 2) reduces the Councils' ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the Village's financial statements will be misstated.

We recommend the Fiscal Officer accurately maintain the Village's accounting records in accordance with the uniform accounting system and Village Officers' Handbook prescribed by the Auditor of State. The Village should maintain supporting documentation of receipts, expenditures, and bank reconciliations should be maintained. Stale-dated checks (those checks dated six months or older) should be voided and not carried as reconciling items. For added accountability, we recommend Council review all bank reconciliations for accuracy and ensure that all reconciling items are justified.

FINDING NUMBER 2010-02

Noncompliance Citation/Material Weakness

Ohio Revised 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.

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.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of 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. 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 and cannot run beyond the current fiscal year.

**FINDING NUMBER 2010-02
 (Continued)**

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.

Upon review, 73% and 74% of transactions tested, for years 2010 and 2009 respectively, were not properly encumbered nor was any evidence present that the Village Fiscal Officer issued a Then and Now Certificate, in the following dollar amounts:

Fund Type	2010	2009
General	\$0	\$6,717.50
Special Revenue	40,148.44	6,947.73
Enterprise	153,876.38	136,434.35

Furthermore, in 2009, the Village utilized only two blanket certificates and none in 2010. We recommend the Council establish a maximum amount for blanket certificates which is appropriate for the Village. Without a maximum set by the Council, all blanket purchase orders are in violation of this code section.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used. It is also recommended that Council establish a maximum amount for blanket certificates which is appropriate for the Village. Without a maximum set by the Council, all blanket purchase orders are in violation of this code section.

We recommend the Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2010-03

Material Noncompliance

Ohio Revised Code, § 5705.40, provides in part that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

The Village Council failed to approve appropriation amendments of \$17,106 in 2010 and \$10,663 in 2009 that were posted to the UAN system. The appropriation amounts in Note 3 to the financial statements are the appropriation amounts approved by the Village Council. They do not include the appropriations that were not approved by Village Council.

**FINDING NUMBER 2010-03
(Continued)**

Failure to properly monitor budgetary activity could result in overspending and ultimately negative fund balances. We recommend that Council approve all appropriation amendments.

We did not receive a response from officials to the findings reported above.

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**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC 733.28 Improper posting of transactions	No	Reissued as Finding 2010-01
2008-002	ORC 9.38 Failure to deposit within 24 hours	Partially Corrected	Management Letter citation in current audit period
2008-003	ORC 5705.41(B) Expenditures exceeding appropriations	Partially Corrected	Management Letter citation in current audit period
2008-004	ORC 5705.41(D)(1) Funds not properly certified prior to commitment.	No	Reissued as Finding 2010-02

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Dave Yost • Auditor of State

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
NOVEMBER 10, 2011