



Dave Yost • Auditor of State

VILLAGE OF MCCLURE
HENRY COUNTY

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Dave Yost • Auditor of State

Village of McClure
Henry County
P.O. Box 340
McClure, Ohio 43534-0340

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

January 9, 2013

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of McClure
Henry County
P.O. Box 340
McClure, Ohio 43534-0340

To the Village Council:

We have audited the accompanying financial statements of the Village of McClure, Henry County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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. The Auditor of State served during the years ended December 31, 2011 and 2010 as the Village's financial supervisor under Ohio Revised Code § 118.05(G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Revised Code § 118.04. 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, Ohio Revised Code § 118.05(G) requires the Auditor of State to provide these supervisory 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.

We were unable to obtain sufficient evidential matter to support the completeness of the income tax receipts reported in the General Fund for 2011 and 2010 and charges for services revenue in the Enterprise Funds in 2010. The income tax revenues represent 49 percent of the total receipts and other financing sources of the General Fund in 2011 and 57 percent of the total receipts and other financing sources of General Fund in 2010. The charges for services revenue represent 27 percent of the total receipts of the Enterprise Fund in 2010. We were unable to determine the completeness or accuracy of income tax receipts and utility receipts through alternative procedures.

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

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

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

Also, in our opinion, except for the effects of such adjustments, if any, as might have been required had we been able to obtain sufficient evidential matter for the General Fund municipal income tax receipts and the Enterprise Funds charges for services receipts as described in the fourth preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of McClure, Henry County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2013, 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

January 9, 2013

**VILLAGE OF MCCLURE
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$27,412		\$27,412
Municipal Income Tax	96,297		96,297
Intergovernmental	33,894	\$65,234	99,128
Fines, Licenses and Permits	3,892		3,892
Earnings on Investments		38	38
Reimbursement	16,524		16,524
Miscellaneous	8,638		8,638
<i>Total Cash Receipts</i>	<u>186,657</u>	<u>65,272</u>	<u>251,929</u>
Cash Disbursements			
Current:			
Security of Persons and Property	11,332		11,332
Leisure Time Activities	2,281		2,281
Community Environment	63		63
Transportation		60,234	60,234
General Government	86,956		86,956
Debt Service:			
Principal Retirement	4,219		4,219
Interest and Fiscal Charges	4,927		4,927
<i>Total Cash Disbursements</i>	<u>109,778</u>	<u>60,234</u>	<u>170,012</u>
<i>Excess of Receipts Over Disbursements</i>	<u>76,879</u>	<u>5,038</u>	<u>81,917</u>
Other Financing Receipts (Disbursements)			
Transfers In	8,893		8,893
Transfers Out	(67,188)		(67,188)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(58,295)</u>		<u>(58,295)</u>
<i>Net Change in Fund Cash Balances</i>	18,584	5,038	23,622
<i>Fund Cash Balances, January 1</i>	<u>(489)</u>	<u>42,665</u>	<u>42,176</u>
Fund Cash Balances, December 31			
Restricted		47,703	47,703
Assigned	14,444		14,444
Unassigned	3,651		3,651
<i>Fund Cash Balances, December 31</i>	<u>\$18,095</u>	<u>\$47,703</u>	<u>\$65,798</u>

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

**VILLAGE OF MCCLURE
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Disbursements			
Personal Services	\$70		70
Employee Fringe Benefits	98		98
Contractual Services	4,560		4,560
<i>Total Operating Cash Disbursements</i>	<u>4,728</u>		<u>4,728</u>
<i>Operating Loss Before Transfers</i>	(4,728)		(4,728)
Transfers In	67,188		67,188
Transfers Out	(8,893)		(8,893)
<i>Net Change in Fund Cash Balances</i>	53,567		53,567
<i>Fund Cash Balances, January 1</i>	<u>(16,069)</u>	<u>\$18,344</u>	<u>2,275</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$37,498</u></u>	<u><u>\$18,344</u></u>	<u><u>\$55,842</u></u>

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

**VILLAGE OF MCCLURE
HENRY COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$27,505			\$27,505
Municipal Income Tax	65,542			65,542
Intergovernmental	30,069	\$39,235		69,304
Fines, Licenses and Permits	4,135			4,135
Earnings on Investments		36		36
Miscellaneous	2,303			2,303
<i>Total Cash Receipts</i>	<u>129,554</u>	<u>39,271</u>		<u>168,825</u>
Cash Disbursements				
Current:				
Security of Persons and Property	26,798			26,798
Leisure Time Activities	1,984			1,984
Community Environment	1,395			1,395
Transportation		31,782		31,782
General Government	87,059			87,059
Debt Service:				
Principal Retirement	5,203			5,203
Interest and Fiscal Charges	4,243			4,243
<i>Total Cash Disbursements</i>	<u>126,682</u>	<u>31,782</u>		<u>158,464</u>
<i>Excess of Receipts Over Disbursements</i>	<u>2,872</u>	<u>7,489</u>		<u>10,361</u>
Other Financing Receipts (Disbursements)				
Transfers In	49,385			49,385
Transfers Out			(\$49,385)	(49,385)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>49,385</u>		<u>(49,385)</u>	
<i>Net Change in Fund Cash Balances</i>	52,257	7,489	(49,385)	10,361
<i>Fund Cash Balances, January 1</i>	<u>(52,746)</u>	<u>35,176</u>	<u>\$49,385</u>	<u>31,815</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$489)</u>	<u>\$42,665</u>		<u>\$42,176</u>
Reserve for Encumbrances, December 31	<u>\$20,532</u>	<u>\$388</u>		<u>\$20,920</u>

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

**VILLAGE OF MCCLURE
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$27,474		\$27,474
Fines, Licenses and Permits	1,174		1,174
<i>Total Operating Cash Receipts</i>	<u>28,648</u>		<u>28,648</u>
Operating Cash Disbursements			
Personal Services	5,820		5,820
Employee Fringe Benefits	6,861		6,861
Contractual Services	27,898		27,898
Supplies and Materials	627		627
<i>Total Operating Cash Disbursements</i>	<u>41,206</u>		<u>41,206</u>
<i>Operating Loss Before Transfers</i>	(12,558)		(12,558)
Transfers In	75,000	\$18,344	93,344
Transfers Out	(93,344)		(93,344)
<i>Net Change in Fund Cash Balances</i>	(30,902)	18,344	(12,558)
<i>Fund Cash Balances, January 1</i>	<u>14,833</u>		<u>14,833</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$16,069)</u>	<u>\$18,344</u>	<u>\$2,275</u>
Reserve for Encumbrances, December 31	<u>\$1,137</u>		<u>\$1,137</u>

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

**VILLAGE OF MCCLURE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of McClure, Henry County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services. The Village contracts with the Henry County Sheriff's department to provide security of persons and property.

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

The Village values certificates of deposit at cost.

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:

**VILLAGE OF MCCLURE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

3. Capital Project Funds

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

Capital Projects Fund – This fund received income tax revenues in prior years to be used for capital outlay projects.

4. Enterprise Funds

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

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

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for unclaimed utility deposits from customers.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

VILLAGE OF MCCLURE
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. 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 2011 and 2010 budgetary activity appears in Note 3.

F. **Fund Balance**

For 2011, the Village implemented Governmental Accounting Standards Board (GASB) No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which had no effect on fund balances. For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. The classifications are as follows:

1. **Nonspendable**

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

2. **Restricted**

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

3. **Committed**

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

**VILLAGE OF MCCLURE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits

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

	<u>2011</u>	<u>2010</u>
Demand deposits	\$116,976	\$39,787
Certificate of deposit	4,664	4,664
Total deposits	<u>\$121,640</u>	<u>\$44,451</u>

Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF MCCLURE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$175,600	\$195,550	\$19,950
Special Revenue	67,900	65,272	(2,628)
Enterprise	49,400	67,188	17,788
Total	\$292,900	\$328,010	\$35,110

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$177,992	\$195,114	(\$17,122)
Special Revenue	90,468	60,665	29,803
Enterprise	20,136	14,688	5,448
Total	\$288,596	\$270,467	\$18,129

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$124,286	\$178,939	\$54,653
Special Revenue	35,014	39,271	4,257
Enterprise	130,835	103,648	(27,187)
Total	\$290,135	\$321,858	\$31,723

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$191,999	\$147,214	\$44,785
Special Revenue	28,847	32,170	(3,323)
Capital Projects		49,385	(49,385)
Enterprise	9,867	135,687	(125,820)
Total	\$230,713	\$364,456	(\$133,743)

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.

**VILLAGE OF MCCLURE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Property Tax (Continued)

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

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

5. Local Income Tax

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 a declaration annually.

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Loan	\$95,572	3.93%

The Village entered into a general obligation loan with Huntington National Bank for the purchase and renovation of real estate property in 2006. Effective September 1, 2011, the Huntington National Bank adjusted the Village's interest rate on the variable rate loan from 5.5% to 3.93%. The Village will repay the loan in monthly installments of \$712, including interest, over 20 years. The Village's taxing authority collateralized the notes.

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

	General Obligation Loan
Year ending December 31:	
2012	\$8,545
2013	8,545
2014	8,545
2015	8,545
2016	8,545
2017-2021	42,726
2022-2026	41,271
Total	\$126,722

On January 1, 2010 the Village transferred its entire utility system, including its corresponding debt, obligations to the Henry County Water and Sewer District located in Henry County.

**VILLAGE OF MCCLURE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Retirement System

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

8. Risk Management

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

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

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

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

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

**VILLAGE OF MCCLURE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Risk Management (Continued)

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$5,000.

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

Contributions to PEP	
2011	2010
\$ 0	\$5,912

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

9. Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the governmental fund types are presented below:

Fund Balances	Governmental Fund Types		Total
	General	Special Revenue	
Restricted for			
Road Maintenance and Improvements		\$47,703	\$47,703
Assigned to			
Unpaid Obligations	\$14,444		14,444
Unassigned:	3,651		3,651
<i>Total Fund Balances</i>	\$18,095	\$47,703	\$65,798

**VILLAGE OF MCCLURE
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

10. Subsequent Events

At the July 9, 2012 Village Council meeting, Council approved Ordinance O-2-2012 as an emergency authorizing the sale of the Natural Gas Distribution system serving customers within the Village and its environs, permitting the expiration of a certain lease agreement for such system. The sale was to Suburban Natural Gas Company for \$85,680.

11. Fiscal Emergency

On September 9, 2009, the Auditor of State declared the Village of McClure to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. 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 Village council, and three individuals appointed by the Governor who are residents of the Village and meet certain criteria.

In accordance with Section 118.06 of the Ohio Revised Code, the Village is required to submit to the Commission a financial recovery plan for the Village which outlines the measures to be taken to eliminate the fiscal emergency conditions. The Village adopted its initial financial recovery plan on February 8, 2010, and subsequently amended it on October 24, 2011.

The more significant steps taken by the Village to alleviate the fiscal emergency conditions include transferring utility services and corresponding debt obligations to the Henry County Water and Sewer District as of January 1, 2010 and eliminating the police department as of January 12, 2010. As of December 31, 2011, the Village was still in fiscal emergency and has not determined when this situation will be resolved.

For 2012, the Village was able to prepare a budget in which current year expenditures were within current year revenues.

12. Compliance

Contrary to Ohio budgetary law budgetary expenditures exceeded appropriations in the Street Construction, Maintenance, and Repair Fund and State Highway Fund by \$1,289 and \$2,492, respectively in 2010.

Posted appropriations exceeded the amount approved by Council in 2010 by \$212,497 due to appropriations being misposted in all funds.

Contrary to Ohio law, \$14,444 and \$17,210 were not encumbered in the General Fund at year end for 2011 and 2010 respectively.

Contrary to Ohio law, supporting documentation was not properly maintained.

Contrary to Village ordinance not all taxpayers filed tax returns.

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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 McClure
Henry County
P.O. Box 340
McClure, Ohio 43534-0340

To the Village Council:

We have audited the financial statements of the Village of McClure, Henry County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated January 9, 2013, 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 and the Village adopted Governmental Accounting Standards Board Statement No. 54 in 2011. 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. We also noted the Village was placed into fiscal emergency and the Auditor of State served as the Village's financial supervisor. *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Rev. Code §118.04. 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, Ohio Revised Code § 118.05(G) requires the Auditor of State to serve as financial supervisor and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We qualified our opinion on the General Fund for and Enterprise Funds because we were unable to obtain sufficient appropriate evidential matter to support the completeness of income tax revenue in the General Fund in 2011 and 2010 and charges for services revenue in the Enterprise Funds in 2010. Except as discussed in the preceding sentence, 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.

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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 2011-002, 2011-003, and 2011-005 through 2011-007 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 2011-001 through 2011-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated January 9, 2013.

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

January 9, 2013

**VILLAGE OF MCCLURE
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-001

Finding for Recovery

State ex re. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides expenditures made by a governmental unit should serve a public purpose. Typically, a determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates it must be memorialized by a duly enacted ordinance and may have a prospective effect only.

Auditor of State Bulletin 2003-005, Expenditure of Public Funds/Proper “Public Purpose” states governmental entities may not make expenditures of public monies unless they are for a valid public purpose. There are two criteria which demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced. Additionally, the Bulletin indicates the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states it will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

1.	During the period of January 1, 2010 through February 28, 2010, the Clerk-Treasurer paid \$445 in Village funds for the personal cellular phone bills of Miguel Trevino. This was a phone for a family member of Mr. Trevino and was not for official business.	\$445
2.	<p>The Village paid for a cellular phone to be used by Miguel Trevino in his capacity as the Village Police Chief. In January 2010, there was \$36 in “premium” cell phones charges on the cell phone used by Miguel Trevino, former Police Chief. Premium charges are purchases such as:</p> <ul style="list-style-type: none"> • Interactive voting during TV shows • Purchases of content, such as ringtones, wallpaper or screensavers • Weather alerts, sports score alerts, daily jokes, horoscopes, etc. • Trivia subscriptions • Subscriptions which enable the download of a certain amount of content each month <p>Such charges are not considered a proper public purpose as they are not deemed to benefit the general good of all Village residents. The Village did not enact an ordinance or resolution which demonstrates what public purpose such charges serve, nor did the Village have a policy permitting these types of expenditures.</p>	36
3.	<p>On November 24, 2008, Council set Miguel Trevino’s salary at \$12 per hour for 32 hours per week (\$384 weekly) for his duties as Police Chief.</p> <p>Based on the approved pay rates, Mr. Trevino should have been paid \$384 for the week ended January 22, 2010; however, the Village compensated Mr. Trevino in the amount of \$480 for this pay period. This resulted in total overpayment of \$96.</p>	96
	Total Illegal Expenditures	\$577

**FINDING NUMBER 2011-001
(Continued)**

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Miguel Trevino, former Police Chief, in the amount of \$577 in favor of the Village of McClure's General Fund.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Revised Code § 9.29; *State, ex. rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent recovery or restitution is not obtained from the person who unlawfully obtained such funds or property. 1980 Op. Atty Gen. No. 80-074.

Connie Ehlers, former Clerk-Treasurer, and Dean Dawson, Mayor signed the warrants resulting in improper payments of Village funds. Connie Ehlers and Dean Dawson, and their bonding company, Auto-Owners (Mutual) Insurance Company, are jointly and severally liable in the amount of \$577 in favor of the Village of McClure's General Fund to the extent recovery is not obtained from Miguel Trevino.

FINDING NUMBER 2011-002

Noncompliance Citation and Material Weakness

Ohio Revised Code, § 5705.40, provides appropriations measures 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 legally adopted appropriations were different than the posted appropriations in the following funds:

Fund	Approved Appropriations	Posted Appropriations	Difference
For the year ended December 31, 2010:			
General Fund	\$190,000	\$154,312	\$35,688
Street Construction Maintenance and Repair Fund	20,100	26,900	(6,800)
State Highway Fund	5,400	8,150	(2,750)
Permissive Motor Vehicle License Tax Fund	3,260	8,500	(5,240)
Capital Projects Fund		49,385	(49,385)
Water Operating Fund	4,400	45,449	(41,049)
Sewer Operating Fund	4,400	13,960	(9,560)
Utility Improvement Fund		40,057	(40,057)
Enterprise Debt Service Reserve Fund		75,000	(75,000)
Water Deposit Fund		18,344	(18,344)

For the year ended December 31, 2010, the Village did not maintain signed copies of resolutions to amend appropriations, so there was insufficient documentation to determine what the approved amendments were. None of the appropriation amendments for 2010 or 2011 were filed with the County Auditor.

**FINDING NUMBER 2011-002
(Continued)**

The budgetary information in the notes to the financial statements were adjusted to reflect the approved appropriation amounts.

We recommend the Fiscal Officer only post appropriation measures which have been formally adopted by Council in the minutes of the Village's record of proceedings and certified by the County Auditor. We also recommend the Village develop procedures to ensure proper posting to the accounting system and financial statements. Additionally, should the Village need to amend or supplement its original appropriation measure; it should review the applicable Revised Code section and work with its legal counsel to ensure compliance with all appropriate law.

FINDING NUMBER 2011-003

Noncompliance Citation and Material Weakness

Ohio Revised Code, § 5705.41(D)(1), states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Further, contracts and order for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above 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 both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), 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 Board can authorize the drawing of a warrant for the payment of the amount due. The Board 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 the expenditure is otherwise lawful.

This does not eliminate any otherwise applicable requirement for approval of expenditures by the Council.

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.
3. Super Blanket Certificate – The Board 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.

**FINDING NUMBER 2011-003
 (Continued)**

The Village had \$14,444 and \$17,210 in outstanding purchase commitments in the General Fund at December 31, 2011 and December 31, 2010, respectively, which were not certified at year end of each respective fiscal year. The accompanying financial statements and budgetary presentation footnote has been adjusted to reflect these amounts as outstanding encumbrances in the General Fund at year end of each respective year.

Certification is not only required by Ohio law, but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by Council.

To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Fiscal Officer and Council periodically review the expenditures made to ensure they are within the appropriations adopted by Council, certified by the Fiscal Officer, and recorded against appropriations. In addition, we recommend encumbrances be properly reflected in the financial statements and budgetary presentation.

FINDING NUMBER 2011-004

Noncompliance Citation

Ohio Revised Code, § 5705.41(B), provides no subdivision shall make any expenditures of money unless it has been lawfully appropriated. The Village's expenditures exceeded appropriations at year end in the following funds selected for testing:

Fund	Appropriation Authority	Budgetary Expenditures	Difference
For the year ended December 31, 2010:			
Street Construction Maintenance and Repair Fund	\$22,600	\$23,889	\$(1,289)
State Highway Fund	5,400	7,892	(2,492)

Allowing expenditures to exceed appropriations could result in deficit spending.

The Village's management officials should regularly monitor budgets to make sure there are sufficient appropriations to fund anticipated expenditures.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2011-005

Noncompliance Citation and Material Weakness

Village Codified Ordinance §181.05(a) states that each taxpayer, except as herein provided, shall, whether a tax be due thereon, make and file a return on or before April 30 of the year following the effective date of this chapter, and on or before April 15 of each year thereafter. When the return is made for a fiscal year or other period different from the calendar year, the return shall be filed within four months from the end of such fiscal year or period. The Administrator is hereby authorized to provide by regulation that the return on-an employer or employers, showing the amount of tax deducted by said employer or employers from entire salaries, wages, commissions or other compensation of an employee, and paid by the employer or employers to the Administrator, shall be accepted unless otherwise specified as the return required of any employee, whose sole income, subject to tax under this chapter, is such salary, wages, commissions or other compensation.

Village of Codified Ordinance §181.08(a)(1) requires in part that it is the duty of the Village Clerk, hereinafter designated the Administrator, to receive the tax imposed by this chapter in the manner prescribed herein from the taxpayers; to keep accurate records thereof; and to report all monies so received. **Village of Codified Ordinance §181.08(a)(2)** further states it shall be the duty of the Administrator to enforce payment of all taxes owing this municipality, to keep accurate records for a minimum of five years showing the amount due from each taxpayer required to file a declaration and/or make any return, including the taxes withheld, and to show the dates and amounts of payments thereof.

Village Ordinance 5-2010 authorized and approved the Regional Income Tax Authority (RITA) as the Village income tax administrator.

For forty percent of the individuals and businesses selected for testing in 2011, RITA could not find any record of the individuals being either taxpayers or non-filers for the Village of McClure. One of the individuals selected for testing was a Village of McClure employee who had taxes withheld by the Village and RITA did not have any record of the individual being a taxpayer. RITA's list of taxpayers also did not include any businesses in the Village of McClure. No action was taken by RITA to collect taxes from non-filers.

We recommend the Fiscal Officer review the Codified Tax Ordinances with the RITA and consider enrolling in RITA's non-filer program. We further recommend the Village take appropriate action to require all non-residents to pay taxes on wages earned in the Village.

FINDING NUMBER 2011-006

Noncompliance Citation and Material Weakness

Ohio Revised Code, § 149.351(A), provides in part all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, except as provided by law.

Village officials were unable to locate and provide the following records for examination:

- Utility records, including utility billing payment stubs and subsidiary utility billing system reports, billing and payment registers, consumption reports, and aging reports for 2010;
- Income tax records, including individual taxpayer income tax returns/files, subsidiary income tax system reports, income tax receipts, list of nonfilers, and aging reports for 2010;
- Copies were not available for all of the ordinances and resolutions passed by Council in 2011 and 2010;

**FINDING NUMBER 2011-006
 (Continued)**

- Official Board of Public Affairs meeting minutes for 2010;
- Financial Planning and Supervision Commission meeting minutes for 2011 as well as the June 16, 2010 meeting;
- Bank deposit slips for 2011 and 2010; and
- Budgetary records for 2011 and 2010, including amended certificates of estimated resources, County Auditor "do not exceed" certificate, and certificates showing the total amount from all sources which is available for expenditures and the balances existing at the end of the preceding year.

This resulted in the inability to audit the income tax receipts and utility tax receipts for 2010 due to the lack of documentation.

We recommend all Village records be maintained in accordance with the provisions of Ohio Revised Code § 149.351. No records may be destroyed until an application or schedule for the destruction of records has been approved by the Ohio Historical Society. The Auditor of State's (AOS) recommended record retention schedule prescribes the Village retain the two most recently completed audits, or retain records for four years from the release date, whichever is longer for audits without findings for recovery. Audits with findings for recovery should be retained for seven years from release unless resolved or paid. One year after findings are resolved or paid, the Village should follow the same schedule as audits without findings for recovery.

FINDING NUMBER 2011-007

Material Weakness

Posting of Estimated Receipts

Estimated receipts reported on the accounting system differed from amounts approved by the Council and submitted to the County Budget Commission.

The following variances in estimated receipts were noted during the audit period:

Funds	Approved Estimated Receipts	Posted Estimated Receipts	Variance
For the year ended December 31, 2011:			
General Fund	\$175,600	\$149,124	\$26,476
Water Operating Fund	49,400	67,200	(17,800)

Failure to accurately reflect budgetary amounts in the accounting records could result in management basing their decisions on inaccurate information and could possibly result in deficit spending. The budgetary information in the notes to the financial statements was updated to reflect the approved estimated receipts.

We recommend the estimated receipts posted agree with the amounts certified by the County Budget Commission. We also recommend the Village develop procedures to ensure proper posting to the accounting system and financial statements.

**FINDING NUMBER 2011-007
(Continued)**

Officials' Response:

The Village is implementing necessary steps and performing proper monitoring to make sure this does not happen again.

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**VILLAGE OF MCCLURE
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Finding for recovery for overpayment of salary in the amount of \$10,735 against the former Police Chief.	Yes	
2009-002	Finding for recovery against the former Police Chief for illegal expenditures in the amount of \$3,736.	Yes	
2009-003	Finding for recovery against the former Clerk/Treasurer for payment of illegal expenditures in the amount of \$200.	Yes	
2009-004	Finding for recovery for overpayment against the former Clerk/Treasurer for unsupported reimbursements in the amount of \$650 made to the former Clerk-Treasurer.	Yes	
2009-005	Ohio Revised Code §5705.10 for posting receipts to improper funds; negative fund balances; and unauthorized advances.	No	Partially corrected reducing this to a management letter comment.
2009-006	Village Ordinances 539 (Section 6 B(2)) and 253 for not establishing sinking funds for sewer and water debt obligations.	Not Applicable	Finding no longer valid. Utility debt obligations were assumed by another government.
2009-007	Village Ordinance 539 (Section 8) for not fixing sewer rates sufficient to adequately cover sewer fund obligations.	Not Applicable	Finding no longer valid. Utility debt obligations were assumed by another government.
2009-008	7 CFR 1780.47(f)(2)(ii) for not submitting an annual management report to the USDA for their Village's 1996 sanitary sewer loan.	Not Applicable	Finding no longer valid. Utility debt obligations were assumed by another government.

Village of McClure
Henry County
Schedule of Prior Audit Findings
Page 2

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-009	Village's First Mortgage System Revenue Bond for not fixing water rates sufficient to adequately cover water fund obligations	Not Applicable	Finding no longer valid. Utility debt obligations were assumed by another government.
2009-010	Ohio Public Works Commission (OPWC) Loan Agreement, Article 2.2(b) for not submitting required reports of the operations and income of the water and sewer utilities to OPWC for the water and sewer loans	Not Applicable	Finding no longer valid. Utility debt obligations were assumed by another government.
2009-011	Ohio Revised Code §5705.36 and 5705.39 for not obtaining a certificate of estimated resources, and therefore, approved appropriations exceeded estimated resources in certain funds.	Yes	
2009-012	Ohio Revised Code §5705.40 for posted appropriations in excess of legally adopted appropriations in certain funds.	No	Reissued in this report as Finding 2011-002.
2009-013	Ohio Revised Code §5705.41(B) for expenditures exceeding appropriations in certain funds.	No	Reissued in this report as Finding 2011-004.
2009-014	Village Ordinance 539, Section 9(i) for not filing an annual budget to the United States government for the sanitary sewer system.	Not Applicable	Finding no longer valid. Utility system was assumed by another government.
2009-015	Ohio Administrative Code 117-2-02(B) for lack of supporting documentation for disbursements.	No	Partially corrected reducing this to a management letter comment.

Village of McClure
Henry County
Schedule of Prior Audit Findings
Page 3

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-016	Village Codified Ordinance, Chapter 925.02(f) for not crediting water deposits back to customer accounts after 12 months of timely payments	Not Applicable	Finding no longer valid. Utility system was assumed by another government.
2009-017	Village Tax Code Ordinance 564 for not obtaining tax returns from non-filers	No	Reissued in this report as Finding 2011-005.
2009-018	Recommended procedures to improve controls over income tax collections	Not Applicable	Finding no longer valid. Income tax collections were assumed by a service organization.
2009-019	Recommended monthly reconciliation of bank accounts and review by Council	Yes	
2009-020	Recommended procedures to improve controls over utility collections	Not Applicable	Finding no longer valid. Utility system was assumed by another government.
2009-021	Recommended monitoring of financial activity	Yes	

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VILLAGE OF MCCLURE

HENRY 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
JANUARY 24, 2013