



Dave Yost • Auditor of State

**Village of Clarksville
Clinton County, Ohio**

Report on Accounting Methods

Local Government Services Section

**Village of Clarksville, Clinton County
Report on Accounting Methods**

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CERTIFICATION

In compliance with the requirements set forth in Section 118.10(A) of the Ohio Revised Code, an assessment of the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of Clarksville was conducted. This report on accounting methods states whether there are adequate controls in place to assure confidence in the records. The control deficiencies and instances of non-compliance with State statutes and the Ohio Administrative Code are identified throughout this report. Therefore, pursuant to Section 118.10 of the Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to John Neeley, Mayor of the Village of Clarksville and Tonya Eades, President Pro-Tempore of Village Council.

"

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

Dave Yost
Auditor of State

October 11, 2018

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Village of Clarksville – Clinton County

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Purpose

As required by Section 118.10(A) of the Revised Code, the Auditor of State "...shall issue a preliminary report with respect to the methods, accuracy, and legality of the accounts, records, files, and reports of the municipality. Such report shall state whether Chapter 117 of the Revised Code and the requirements of the office of the Auditor of State have been complied with..."

Accordingly, this report centers upon the following: (1) whether the current accounting system fulfills the needs of the Village, and (2) whether the current accounting system is in compliance with Chapter 117 of the Revised Code and the requirements of the Auditor of State. Information for this report was obtained by interviewing Village personnel and reviewing pertinent accounting, financial and budgetary records.

This report is intended solely for the use of the Auditor of State and the Village of Clarksville. We were not engaged to, nor did we perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

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Governance Overview

The Village of Clarksville (the “Village”) is located in southwest Ohio in Clinton County. The Village is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Operating as a statutory village, Clarksville must comply with all State laws regulating Village government. The decision-making process is directed by an elected Village Council and Mayor.

The Village Council is the legislative authority of the Village and consists of six members who are elected at large and serve terms of four years. The Village Council elects a President Pro-Tempore to preside over the Village Council meetings in the Mayor’s absence. The Village Council has the authority to prescribe, by ordinance, the manner in which any power of the Village shall be exercised.

The Mayor is the chief executive officer of the Village and serves a term of four years. The Mayor supervises the administration of the Village and is the President of Village Council. The Mayor makes recommendations to Village Council and has voting rights only in the case of a tie. In accordance with sections 735.271 – 735.273 of the Revised Code, the Village has established the position of a Village Administrator who is appointed by the Mayor subject to Village Council’s approval. The Village Administrator is responsible for administering most operations of the Village including, public utilities, streets, and other duties as set forth by ordinance of Village Council.

Because the Village has chosen to exercise Section 733.262 of the Revised Code, the Mayor, with Village Council approval, appoints a Fiscal Officer who also serves as Clerk for the Village Council. The Clerk attends all Village Council meetings and keeps a record of all proceedings, rules, bylaws, and legislation. In addition, the Fiscal Officer keeps accurate statements of all monies received and expended by the Village, keeps records of all property owned by the Village and of all taxes and assessments. The Fiscal Officer performs the accounting procedures for the Village necessary to comply with the administrative rules adopted by the Auditor of State.

Village Council contracts with an attorney to handle any legal matters for the Village. The Village Solicitor is the chief legal officer of the Village.

Services provided by the Village include street maintenance and repair, maintenance of state highways within the Village, trash pick-up, street lighting, and water and sewer operations.

On September 15, 2015, the Village was declared to be in a state of fiscal emergency by the Auditor of State in accordance with Revised Code Sections 118.03(A)(4), 118.03(A)(5), 118.03(A)(6), and 118.03(B). The Village of Clarksville has a population of less than one thousand as of the most recent federal decennial census; therefore, in accordance with Revised Code Section 118.05(L), the Auditor of State serves as financial supervisor of the Village and has all of the powers and responsibilities of a financial planning and supervision commission.

These powers, duties, and functions may include:

1. Review all tax budgets, tax levy ordinances and bond and note resolutions or ordinances, appropriation measures, and certificates of estimated resources, to ensure they are consistent with the financial recovery plan;
2. Inspect and secure copies of pertinent documents of the Village;
3. Inspect and secure copies of pertinent documents of the County or State agencies relating to the Village;

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4. Review, revise and approve determinations and certifications affecting the Village made by the County Budget Commission or the County Auditor;
5. Bring civil actions to enforce fiscal emergency provisions;
6. Approve the amount and purpose of any debt obligations;
7. Implement steps necessary to bring accounting records, accounting systems and financial procedures and reports into compliance with rules established by the Auditor of State;
8. Make and enter into all contracts necessary or incidental to the performance of its duties;
9. Make recommendations for cost reductions or revenue increases to achieve a balanced budget; and,
10. Annually, before April 1, make a report and recommendations to the Speaker of the House of Representatives and the President of Senate on the progress of the Village.

This Village is required to adopt a financial recovery plan within 120 days of its first meeting which outlines the actions to be taken by the Village to eliminate all fiscal emergency conditions, satisfy any judgments and past due payables, eliminate deficits in all deficit funds, restore monies to all funds from which monies were borrowed or used for purposes not consistent with the fund, balance all budgets and accounts and maintain all current payments due, avoid any fiscal emergency condition in the future, and restore the ability to market long-term general obligation debt. The Village has an approved financial recovery plan. By State statute, the Village must operate within the provisions of the adopted recovery plan.

In accordance with Revised Code Section 118.27, the Village will remain in fiscal emergency until it is determined that:

1. An effective financial accounting and reporting system is in the process of being implemented and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,
4. The Village Council has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "nonadverse."

Section 118.31 of the Revised Code provides the procedures for legal action to dissolve a municipal corporation. Upon petition of the financial supervisor, the attorney general shall file a legal action in the court of common pleas on behalf of the State to dissolve a municipal corporation if the municipal corporation has less than five thousand residents as of the most recent federal census, the municipal corporation has been under fiscal emergency for at least four consecutive years, and the implementation of the financial plan cannot be reasonably expected to correct and eliminate all fiscal emergency conditions within five years. If the court of common pleas finds that all of these conditions apply, a receiver is appointed by the court to work with the officers of the municipal corporation to wind up the affairs of and dissolve the municipal corporation.

Once these requirements are satisfied and certified to the Governor, the Director of the Office of Budget and Management, and the County Budget Commission; the fiscal emergency will be terminated.

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Budgetary System

Description of an Effective Budgetary System

The legally adopted annual budget plays a unique and central role in determining the amount and type of financial resources that will be raised and how those financial resources will be spent. Annually, a budget consisting of estimated receipts and disbursements for each fund for the next year should be presented to the governing body with sufficient time for review and public input. The budget should identify the major sources of receipts and the programs, activities and major objects of disbursements. The budget should encompass current operations and maintenance, capital acquisition and replacement and debt retirement. The budget, once approved by the legislative authority, should be the basis for the appropriation measure. The appropriation measure should identify, by fund, departments/activity, and object, the amount of resources authorized to be expended for the various governmental functions and programs. The amount appropriated for each fund should not exceed the estimated resources available in that fund for the year. The estimated revenues and appropriations should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized receipts and balanced available for disbursement.

Statutory Requirements

The budgetary process for the Village is prescribed in Chapter 5705 of the Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance.

The Tax Budget: The Mayor should prepare an annual tax budget of the estimated receipts and disbursements for all funds of the Village for the period of January 1 to December 31 of the following year. The budget must be filed in the Fiscal Officer's office for public inspection ten days prior to adoption by the Village Council. At least one public hearing must be held for discussion of the budget, of which public notice shall be given by at least one publication not less than ten days prior to the date of hearing in the official publication of the Village, or in a newspaper having general circulation in the Village. Village Council is required to adopt the budget by July 15 and the budget must be submitted to the Clinton County Budget Commission by July 20 of each year.

The County Budget Commission examines the budget to ascertain that all tax levies of the Village are properly authorized. The Budget Commission also revises and adjusts the estimated receipts for property taxes and local government fund allocations. The Budget Commission then prepares and submits to the Village the Resolution Accepting Rates for Village Council's consideration. Village Council must accept or reject the rates outlined in the Resolution and file the Resolution with the Budget Commission. On or about October 1, Village Council must authorize, by resolution, the necessary tax levies and certify them to the County Auditor.

The County Budget Commission may, by an affirmative vote of a majority of the Budget Commission, waive the requirement that Village Council adopt a tax budget as provided under section 5705.28 of the Revised Code, but shall require the Village Council to provide such information to the Budget Commission as may be required by the Budget Commission to perform its duties under Chapter 5705 of the Revised Code, including allocating inside millage to each subdivision or taxing unit.

Certificate of Estimated Resources: The Budget Commission issues an official certificate of estimated resources on or about September 1, based on information provided in the tax budget and other information available to the Budget Commission.

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Section 5705.36 of the Revised Code requires that on or about January 1, the Fiscal Officer certifies the actual year end balances for all funds to the Budget Commission. Upon receipt of the information, the Budget Commission issues an amended official certificate of estimated resources that includes the unencumbered fund balances at December 31. Further amendments may be made during the year if the Fiscal Officer determines that the revenue to be collected by the Village will be greater than or less than the amount included in the amended official certificate of estimated resources.

Appropriations Ordinance: Section 5705.38 of the Revised Code requires that on or about January 1, the annual appropriation ordinance must be enacted by Village Council. Prior to the passage of the annual appropriation measure, a temporary appropriation measure may be passed to meet the ordinary expenses of the Village until April 1. The appropriation ordinance, by fund, must be within the estimated resources as certified by the County Budget Commission. Appropriation measures must be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services. Any revisions that alter the total of any fund appropriations or alter the levels adopted by Village Council must be approved by Village Council. The Village may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent amended certificate of estimated resources.

Section 5705.39 of the Revised Code requires total appropriations from each fund shall not exceed the total of the estimated revenues available for expenditure from each fund, as certified by the County Budget Commission, or in case of appeal, by the board of tax appeal. The Clerk of Village Council is required to certify a copy of each appropriation ordinance to the County Budget Commission. No appropriations are effective until the County Auditor provides a certificate indicating the appropriations by fund, are within the estimated resources.

Encumbrances: As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are encumbered and recorded as the equivalent of disbursements in order to reserve that portion of the applicable appropriation and to maintain legal compliance with the adopted appropriations. Disbursements plus encumbrances may not legally exceed appropriations.

Section 705.19 of the Revised Code provides that no money shall be drawn from the treasury of a municipal corporation, except in pursuance of appropriation made by the legislative authority, and whenever an appropriation is so made, the Fiscal Officer shall forthwith give notice to the Auditor and the Treasurer. Appropriations may be made in furtherance of improvements or other objects or work of the municipal corporation which will not be completed within the current year. At the end of each year, all unexpended balances of appropriations shall revert to the respective funds from which they were appropriated and shall then be subject to future appropriations.

Administrative Code Requirements

Section 117-2-02(C)(1) of the Ohio Administrative Code states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The legal level of control is the level at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates. For all local public offices subject to provisions of Chapter 5705 of the Revised Code, the minimum legal level of control is described in Section 5705.38 of the Revised Code. The legal level of control is a discretionary decision made by the legislative authority and must meet or exceed the level prescribed in Section 5705.38 of the Revised Code.

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Methods Used by the Village

The Clinton County Budget Commission has waived the requirement for all subdivisions to file a tax budget; however, it requires subdivisions to submit any information it finds necessary to the Budget Commission to perform its duties under Chapter 5705 of the Revised Code. The Budget Commission has not requested any information be submitted in the past three years.

The Budget Commission determines the financial needs and the corresponding tax rates to be charged on behalf of the Village. The Budget Commission then prepares and submits to the Village the resolution accepting the rates for the Village Council's considerations. The Village Council must accept or reject the rates outlined in the Resolution with the Budget Commission by October 1. The Village passed the Resolution Accepting Rates on August 28, 2017.

The Village submits a Certificate of the Total Amount of All Sources Available for Expenditures, and balances to the County Auditor after year end closing. The Certificate identifies the actual year end fund balances for each fund of the Village. The County Auditor then returns to the Village an Amended Certificate of Estimated Resources. The Village submitted the 2017 year end fund balances to the County and received an amended certificate on January 12, 2018.

The Fiscal Officer prepares the permanent appropriations based on history, trends and other known factors for all funds. Appropriations are established at the fund, department, program, and object level of disbursements. Once approved, the appropriation ordinance is submitted to the Budget Commission and appropriations are recorded into the accounting system by the Fiscal Officer. The Budget Commission verifies that appropriations by fund do not exceed estimated resources and returns a certificate indicating that total appropriations do not exceed estimated resources. The Village Council passed an ordinance approving the 2018 permanent appropriations on December 28, 2017. The permanent appropriations were submitted to the County Auditor in January 2018.

Village Council approves supplemental appropriations through an ordinance. The County Auditor does not require supplemental changes to appropriations. The Comparison of Budget and Appropriated Report from the UAN system is presented to Council and monitored by the fiscal officer to ensure appropriations do not exceed estimated resources.

Auditor of State Comments

- Pursuant to Section 5705.10, Revised Code, money paid into any fund of the Village shall be used only for the purposes for which such fund is established. During 2017 and 2018, the Village had deficit cash balances in two funds. These funds included the General Fund and the Waste Fund. The Village should not use money from one fund to pay the obligations of another fund.
- Section 5705.39 of the Revised Code requires that the total appropriations from each fund shall not exceed the total of the estimated resources and fund balance available for expenditure, as certified by the Budget Commission. The General Fund and Waste Fund are the only funds over appropriated.

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Chart of Fund and Account Codes

Description of Effective Chart of Fund and Account Codes

Common terminology and classification should be used throughout the budgeting, accounting, and financial reporting activities. The consistent use of fund and account codes is necessary to classify and summarize receipt and disbursement transactions. Fund codes should allow for the classification and identification of fund types and the individual funds. Receipt and disbursement codes should allow the transactions to be summarized by major revenue sources or disbursement program. Major object codes for disbursements should be used consistently throughout the various program/activity codes.

The Village should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established.

Statutory Requirements

The creation of funds is authorized by section 5705.09 of the Revised Code. Section 5705.13 of the Revised Code allows for the creation of a reserve balance for budget stabilization, for the payment of claims under a self-insurance program, and for the payment of claims under a retrospective workers' compensation plan. This section also allows for a special revenue fund to accumulate resources for the payment of sick and vacation leave. Additionally, it allows for creation of capital projects funds to accumulate resources for up to ten years for the acquisition, construction, or improvement of capital assets. Funds may also be established under section 5705.12 of the Revised Code with the written approval of the Auditor of State.

Methods Used by the Village

The Village is using the State software known as the Uniform Accounting Network (UAN). This system utilizes the numeric account coding system as outlined in the Village Officer's Handbook.

Auditor of State Comments

None

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Accounting Journals and Ledgers

Description of Effective Accounting Journals and Ledgers

The accounting journals and ledgers of the Village should provide ongoing and timely information on estimated and actual revenues, disbursements and encumbrances, comparison of expenditures/expenses to the appropriation authority, available cash balances for each fund, and the available treasury balance. The information captured for each transaction should allow the transaction to be trailed throughout the ledgers and back to the document that originated the transaction.

Administrative Code Requirements

Ohio Administrative Code section 117-2-02(A) requires that all local public offices 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 Ohio Administrative Code Section 117-2-03.

Section 117-2-02(C)(1) of the Ohio Administrative Code requires that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized receipts and remaining uncommitted balances of appropriations.

Section 117-2-02(D) of the Ohio Administrative Code states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides and should consider the degree of automation and other factors. Such records should include the following:

Cash Journal – The cash journal is the book of original entry for recording all cash receipts and disbursements processed in the Fiscal Officer’s office. The cash journal presents receipts deposited to and checks drawn against the Village treasury and the fund to which the receipts and checks were recorded. Entries to the cash journal are posted sequentially by date from source documents, such as pay-in orders and checks. The related pay-in order or check number, account codes, and date are also recorded for each transaction. At the end of each month, month to date totals and year to date totals are to be recorded.

Receipt Ledger – The receipt ledger is used to summarize receipts by fund and account. In addition, the estimated receipts and uncollected balance is presented for each source of revenue. Estimated receipts are recorded from the detail and/or supplemental information used in the preparation of the tax budget and is adjusted for any amendments to the certificate of estimated resources. Receipt transactions are posted from the cash journal based on the account code. A balance reflecting the estimated amount remaining to be received is maintained. At the end of each month, month to date totals and year to date totals are to be recorded.

Appropriation Ledger – The appropriation ledger is used to summarize appropriations, disbursements and encumbrances, by fund and account. In addition, the ledger should reflect the encumbering of obligations of the Village, identifying the warrant/check issued for the payment of the obligation, and accommodate any adjustments to an appropriation account. The ledger also facilitates budgetary control by enabling the Fiscal Officer to keep the Village’s disbursements and encumbrances within the amounts appropriated by Village Council. The unencumbered appropriation balance provides information on the amount available for disbursement. At the end of each month, month to date totals and year to date totals are recorded.

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Methods Used by the Village

The Village utilizes the Uniform Accounting Network (UAN). All reports required by the administrative code are available through this software.

The Fiscal Officer prints various reports at month end to support the monthly activity. At any time, the Fiscal Officer is able to print reports for any month requested. Up to five years of prior information can be maintained on the UAN system.

At Council meetings, the Fiscal officer provides a copy of the following reports to Village Council: Appropriation status report, Revenue status report, Fund summary report, a Bank Reconciliation report, Payment Register report, and Receipt Listing Report.

The Fiscal Officer and one Council member have administration access to the UAN system to input and make changes. Each person has a separate login and password. The Fiscal Officer backs up the system once a month via a portable USB device. Once backed up, the device is placed into a fire proof lock box located at the Fiscal Officers home. The key is kept in a locked filing cabinet at the Fiscal Officer's home. Annual backup of the UAN system is completed on CD's and stored in the fire proof lock box at the Fiscal Officer's home.

The Village does not have a written disaster recovery plan identifying how the Village would restore operations, including information technology and accounting functions, if the Village would experience a serious incident (flood, explosion, computer malfunction, accident, grievous act).

Auditor of State Comments

- The Village does not have a written disaster recovery plan for the restoration of operations in the event of a serious incident. A disaster recovery plan should be adopted by Village Council. The disaster recovery plan should include procedures to restore information technology and accounting functions of the Village.

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Receipt Transactions

Description of an Effective Method for Recording Receipts

The receipting process should allow for consistent classification and identification of each receipt. All receipts should be promptly recorded, safeguarded, and deposited in accordance with State statute. The receipt or pay-in-order form should be a multi-part form that is pre-numbered and issued consecutively. The receipt should identify the name of the entity and reflect the date received, the payer, the amount, the purpose or nature of the receipt, the account code, and the signature of the person preparing the receipt. Supporting documents should be attached to a copy of the receipt and filed numerically or by payer. Departmental receipts should be summarized and remitted to the finance department daily. The finance department should issue pay-in-orders to those departments depositing daily collections to the finance department and for any payments received from the public. The pay-in-order forms should be a multi-part, pre-numbered form that reflects the name of the entity, the date received, the payer, the amount, the purpose or nature of the receipt, the account code, and the signature or name of the person preparing the pay-in-order. All receipts or pay-in-orders should be recorded in the cash journal and receipts ledger in a timely manner. Adequate safeguards should be in place to ensure that one individual does not have total control over the receipting of monies, depositing of monies, posting of receipts, and reconciliation of bank accounts.

Statutory Requirements

Section 9.38 of the Revised Code, provides that a person who is a public official, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

Administrative Code Requirements

Section 117-2-02(D)(1) of the Ohio Administrative Code requires the date, amount, receipt number, account code, and any other information necessary to properly classify the receipt transactions be recorded in the cash journal. Section 117-2-02(D)(2) of the Ohio Administrative Code requires the amount, date, name of the payor, purpose, receipt number, and other information required for the transaction to be recorded in the receipts ledger.

Methods Used by the Village

Under section 9.38 of the Revised Code, the Village passed a resolution allowing the Fiscal Officer to hold deposits for up to three days in a fireproof safe, no denomination limit was established in the resolution. The fireproof safe is located at the Fiscal Officer's personal residence which serves as her office.

The Village does not accept cash payments. The Fiscal Officer is the only employee that receives any payment. Money is received in the form of a check, money order, or electronic transfer.

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All elected Officials (Mayor and Council), the Fiscal Officer and the Administrator of the Village are bonded. The Fiscal Officer is responsible for overseeing all monies received.

Electronic Fund Transfers

Wire transfers are received for property taxes, local government, gas tax, license tax, permissive tax, cents per gallon tax and municipal income taxes. The Fiscal Officer receipts these payments into the system before performing the reconciliation by viewing the bank statements for electronic deposits. The deposits list the reason for the deposit, which the Fiscal officer uses to make a pay-in order and post the amounts into the proper account.

Receipts from the State and local sources are received in the form of check and/or direct deposits. When the Fiscal Officer receives a check for deposit, a standard receipt is entered into the UAN software. A deposit slip in duplicate is prepared. All receipts are kept in a secured fire proof safe until taken to the bank. Receipts are deposited within a three day period. The deposit confirmation for the bank and supporting documentation are attached to the receipt on file in a folder by month.

Receipts from the County Auditor and Regional Income Tax Agency are deposited into the Village's checking account. There is sufficient information provided on the bank statement for the Fiscal Officer to determine the appropriate fund and receipt code to record the receipt. Interest is earned and posted at the end of each month.

Each receipt from the UAN system identifies who the receipt is from, receipt number, batch number, postdate, account code, account description, receipt amount, purpose, and an area for the Fiscal Officer's signature. All receipts are kept in a monthly folder which includes all activity for that particular month.

Summary of Income Tax Receipts

The Village implemented an income tax effective July, 1, 2016. All Village residents 18 and older are required to file an annual income tax return due on April 30. Residents and businesses are taxed at a rate of one percent of gross wages on earned income. The Village Council approved the tax rate by ordinance and all income tax revenue is recorded in the General Fund.

The Village contracted with the Regional Income Tax Agency (RITA) for income tax processing and collection. Income tax withholdings, quarterly estimates, and payments filed with the return are sent to RITA. Income tax receipts are deposited electronically by RITA twice a month into the Village's checking account. The amount deposited is net of RITA's administration fee. This fee is based on the amount of taxes collected, approximately three percent of collections. The Village receives a report from RITA within a couple of days after the deposit reflecting the amount of income taxes collected less the collection fee. Some businesses have opted to file with the Ohio Department of Taxation (ODT). These entities remit monthly taxes to ODT and ODT will remit quarterly payments to the Village. The Fiscal Officer records the gross amount of income taxes collected in the accounting system as revenue and records the collection fees as an expenditure.

Rentals

The Village has two lots that it rents out on a monthly basis. The Village receives \$150 monthly per lot that are listed on the monthly customer utility bill. The Village does not have a rental contract or lease agreement. It is a verbal agreement that was made several years ago. The Village Solicitor has created a lease agreement, but Village Council has not taken any formal action on the agreement.

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Water, Sewer, and Trash

Billing for the Water, Sewer, and Trash is done monthly. A Village employee will read the meters electronically around the 25th of each month using the JETT software installed on a Village laptop. After all meters are read, the laptop is returned to the Village Administrator. Either the Mayor or Administrator will upload the meter readings into the Utility Management System (UMS) utility billing system. The Village Administrator or Mayor will then review the meter readings to see if any anomalies appear, for example a large usage compared to prior month(s). Once this is completed, a report is generated that will list the addresses of meter(s) that were not automatically read. An employee is given this list and will physically read each meter to check if the meter is working properly. Once the meter(s) are read, the list is given to the Village Administrator or Mayor and the information is entered into the UMS system.

Utility bills are printed around the 1st of the month and are due on the 28th of each month. If a utility bill is not paid by the 29th of the month, the utilities are shut off and the user is charged a late fee of 10 percent of current month bill.

The Village Administrator or Mayor will e-mail the Fiscal Officer a copy of the daily deposit report and payment application. The payment application report details the amount of the deposit to be posted to each utility fund within the UAN system. When the Fiscal Officer receives the reports, she compares the reports to the bank deposit. If any variance appears, the Fiscal Officer will investigate the discrepancy and attach any supporting documentation to the receipt.

When a utility customer's bill needs adjusted, the customer will contact the Mayor. The Mayor will fill out a form and submit it for action to either the Village Council or the Utility Committee. This form contains: customer name, account number, service address, location ID, adjustment requested, and adjustment approved (amount). Per Village resolution, the Utilities Committee is allowed to approve any adjustment up to \$50. However, the committee rarely meets and most adjustments are more than \$50; therefore, almost all adjustments go straight to Village Council. The number of utility customers receiving account adjustments is notated in the Council meeting when the vote occurs. Once Council signs the form, the employee that entered the adjustment, initials the form and the date it was entered into the system after the meeting in which the adjustment was approved.

Should a utility customer not pay their bill on time, a Village employee will go to the property and shut off the water at the earliest convenience. The Village does not have a grace period for late payments. Before the employee is sent to the property, the Mayor will check the drop box at the Village Administration Building to ensure that there is not a payment for that account.

The Mayor and Village Administrator are not at the Village on a consistent basis and do not post utility payments in a timely manner. There is no process for creating a receipt for a customer since the Village does not accept cash. The cashed check serves as a receipt if necessary.

The Fiscal Officer checks the locked drop box and post office box twice a week. The Fiscal Officer prepares a deposit slip and makes deposits for the receipts usually the next business day. Each receipt from the UAN system identifies who the receipt is from, receipt number, postdate, account code, account description, receipt amount, purpose, and an area for the Fiscal Officer's signature. All receipt documentation is kept in a monthly folder with all activity for the entire month in a locked filing cabinet at the Fiscal Officer's house. The Village does not have written procedures for the receipt and recording of all revenues.

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Payments can be made with check or money order through the mail or placed in the locked drop box at the Village Administration Building. These payments are picked up by the Fiscal Officer twice a week from the post office and lockbox. The Fiscal Officer opens the envelopes and will record the account number (if the billing stub is attached), the check or money order number, the name of the resident and the amount paid into an excel file. The Fiscal Officer scans any billing stubs and any other correspondence received into a PDF file. The next day, the Fiscal Officer takes the deposit to the bank and will scan the deposit receipt into a different PDF file. The two PDF files and the excel file are then e-mailed to the Village Administrator and Mayor for inputting into the UMS billing system.

Auditor of State Comments

- According to Revised Code Section 9.38, all monies must be remitted to the Fiscal Officer by the next business day after receipt. If the amount is less than \$1,000 and a policy is specifically adopted outlining the procedures, the monies can be held up to a maximum of three business days after the day of receipt. The Village needs to amend the current resolution to include the \$1,000 limit as prescribed by Revised Code Section 9.38.
- The Village should record utility payments in the UMS billing system within one week of date received.
- The Village should have a signed agreement or rental contract for the lease of lots.

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Purchasing Process

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded and that the purchasing process be integrated with the budget. The process should include a justification of need and selection of the vendor with the best price, as well as authorization by an appropriate individual. In addition, authorization must include the Fiscal Officer's certification of the availability of funds and that the amount has been appropriated and is free from previously encumbered obligations. All purchase orders should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against a budget line item in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Statutory Requirements

Several State laws govern the purchasing process. The requirements are as follows:

Certification of the Fiscal Officer - Each contract or order for the disbursement of monies must be accompanied by a certificate of the Fiscal Officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing year, the amount required to meet the obligation in the year in which the contract is made, has been lawfully appropriated for such purposes and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrance. This certificate need be signed only by the Fiscal Officer.

Blanket Certification of the Availability of Funds: The subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose that does not extend beyond year end in an amount established by resolution of the Village Council. A general certification of this type may be established for any appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine, recurring type items or for unanticipated emergencies. An itemized statement of obligations incurred and disbursements made under such certificate shall be rendered to the auditor or other chief fiscal officer before another such certificate may be issued, and not more than one such certificate per appropriation line shall be outstanding at a time.

"Super" Blanket Certification of the Availability of Funds: The super blanket certification permits the Fiscal Officer to certify any amount from a specific line item appropriation. The certification is authorized to be outstanding for any period up to the end of the year and more than one certificate is permitted to be outstanding at one time. The certification must identify a specific line item appropriation in a specific fund. The certification may be limited to a specific vendor, if desired. A list of obligations incurred and disbursements made under each certification must be maintained and provided by the Fiscal Officer.

Purchases that may be made through the use of a super blanket certificate are the services of an accountant, architect, attorney at law, physician, professional engineer, construction project manager, consultant, surveyor or appraiser by or on behalf of the subdivision; fuel oil, gasoline, food items, roadway materials, utilities, and any purchase exempt from competitive bidding under Revised Code Section 125.04, and any other specific disbursement that is a recurring and reasonably predictable operating expense.

Then and Now Certification - It is intended that the Fiscal Officer's certification be secured at the time a purchase order is issued or a contract is executed. If timely certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must indicate that, both at the time the order was placed (then) and at the current time (now), a sufficient sum was appropriated for the purpose of such contract and is in the treasury or in process of collection to the credit of an appropriate fund

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free from any previous encumbrances. If the amount exceeds \$3,000, the Village Council has thirty days from the receipt of such certificate to approve payment by resolution. If approval is not made within thirty days, there is no legal liability on the part of the Village.

Authority to Contract - Contracts are made by the Village Council and executed in the name of the Village by the Mayor, except as otherwise specified by State statute.

Bidding - All contracts calling for disbursements in excess of \$50,000 shall be in writing and made to the lowest and best bidder. Revised Code section 731.14 requires that bids be opened and publicly read by the Fiscal Officer at the time, date, and place specified in the advertisement for bids. Village Council must authorize and direct all such disbursements. Exceptions to the bidding requirements include contracts for:

1. Personal services of a specialized nature;
2. Goods and services when only one source is available;
3. Work to be done or for the purchase of supplies and materials in any department of the Village if a real and present emergency exists;
4. The purchase of used equipment and supplies at a public auction or at a sale where bids are required by all parties wishing to purchase;
5. Purchases from other political subdivisions and agencies; and
6. Goods purchased under the State Cooperative Purchasing Program.

Findings for Recovery Database - Effective January 1, 2004, State statute (Revised Code section 9.24) prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to a person against whom a finding for recovery has been issued by the Auditor of State on or after January 1, 2001, if the finding for recovery is unresolved.

Per Auditor of State Bulletin 2004-006, a contract for purposes of Section 9.24 of the Revised Code is awarded when a written agreement is executed pursuant to a formal competitive contracting procedure that may include competitive bidding, requests for proposals, or invitations to bid. A purchase arrangement that does not involve competitive contracting procedures does not constitute the awarding of a contract and is not subject to Revised Code section 9.24. For purchases made from the State term schedule, the Ohio Department of Administrative Services engages in a contracting process as described under Attorney General Opinion 2004-014 and, consequently, is required to comply with Revised Code section 9.24. State agencies and political subdivisions that purchase from the State term schedule do not engage in their own contracting processes and are not subject to the provisions of Revised Code section 9.24.

Section 9.24 (G)(1)(a) of the Revised Code states that the only contracts subject to the provisions of the statute are those contracts in which the cost of goods, services, or construction exceeds \$25,000. Section 9.24 (G)(1)(b) of the Revised Code provides an exception to this rule and applies the statute to a contract awarded to any person who, in the previous year, received contracts from the State agency or political subdivision, the aggregate of which exceeded \$50,000.

Delinquent Personal Property Taxes - Section 5719.042 of the Revised Code provides that after the award by a taxing district of any contract let by competitive bid, and prior to the time the contract is entered into, the person making a bid shall submit to the Fiscal Officer a statement affirmed under oath that the person with whom the contract is to be made was not charged, at the time the bid was submitted, with any delinquent personal property taxes on the general tax list of personal property of any county in which the taxing district has territory, or that such person was charged with delinquent personal property taxes on any such tax list, in which case the statement shall also set forth the amount of such due and unpaid delinquent

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taxes and any due and unpaid penalties and interest thereon. If the statement indicates that the taxpayer was charged with any such taxes, a copy of the statement shall be transmitted by the Fiscal Officer to the County Treasurer within thirty days of the date it is submitted.

Campaign Financing (HB 694) - Section 3517.13 of the Revised Code states any bid or unbid contract, purchase order, or collective bargaining agreement with a value of more than \$500 requires the vendor to certify to the contracting authority that the vendor has not made a contribution to the contracting authority in an amount that exceeds the limits provided by law.

Administrative Code Requirements

Section 117-2-02(C)(2) of the Ohio Administrative Code states, “purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required by Section 5705.41(D) of the Revised Code. Purchase orders are not effective unless the Fiscal Officer’s certificate is attached. The certificate should be attached at the time a commitment to purchase goods or services are made.”

Method used by the Village

At the beginning of the year, the Fiscal Officer creates blanket purchase orders in the UAN system by vendor for routine purchases such as utilities, office supplies, and other supplies and equipment. Village Council has not adopted a resolution establishing the maximum amount allowed for blanket purchase orders.

The Village has an ordinance requiring the Mayor or Village Administrator to approve purchases before they are incurred. This ordinance does not specifically state if the approval has to be written or verbal.

When considering a new vendor, the Fiscal Officer will check against the findings for recovery database. If the possible new vendor comes back without any findings, the Fiscal Officer will print the results and file them along with the W-9 form for that vendor.

For routine purchases, the purchase is made once approval has been obtained. If a non-routine purchase is necessary, the employee will contact multiple vendors, if possible, to get the best price. When the item(s) requires delivery the employee present will accept the package, check the contents to the packing slip, and sign the slip. If the package is delivered to the Village Administration building the packing slip is placed in an envelope for the Fiscal Officer. If the contents are chemicals, the original packing slip is kept with the products and a copy of the packing slip is placed in the envelope.

The Fiscal Officer maintains the folder that stores all open purchase orders. The purchase orders include: vendor, purchase order number, purchase order amount, purchase order date, shipping address, billing address, quantity, unit type, item description, unit price, subtotal, account code, account description and Fiscal Officer Certificate.

In an emergency situation, such as a water main break, the employee will purchase the part(s) needed. At the earliest convenience, the Fiscal Officer is notified of the purchase, and a “Then and Now” purchase order is issued.

“Then and Now” certificates are used for purchase orders that are generated after a purchase is made that a requisition was not completed for. There are instances when “Then and Now” certificates in excess of \$3,000 are not approved by Council resolution. The Village is using “Then and Now” purchase orders for non-emergency purchases.

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Auditor of State Comments

- Council currently has not set a limit for how large of a blanket purchase order the Fiscal Officer can make without prior approval from Council. Council, by resolution, needs to set a limit for how large the blanket purchase orders can be without prior approval by Council.
- Council does not require written approval for purchases. Council, by resolution needs to require written approval for purchases.
- Council, per section 5705.41(D)(1), Revised Code, should approve all “Then and Now” purchase orders in excess of \$3,000 within thirty days. The Fiscal Officer does not have the authority to issue “Then and Now” certifications in excess of \$3,000 without action by Council.
- Frequently, when a purchase order is requested, verbal approval is noted by the requester but the purchase order is not prepared within the UAN system. The Fiscal Officer should prepare the purchase orders in UAN the same day of the request to be in accordance with section 117-2-02(C)(2) of the Ohio Administrative Code.

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Cash Disbursements

Description of an Effective Method for Cash Disbursements

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the Village. The processing should include a comparison of the invoiced items and quantities to the purchase order and billing slips or receiving copy of the purchase order, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A voucher should be prepared reflecting the proper payee, invoice amount and account codes, and should include a copy of the purchase order, invoice and receiving report or a signed billing slip. Vouchers should be approved for payment by an appropriate official. A check should be prepared based on the completed voucher, the existence of appropriate vendor information (I.R.S. Form 1099 data), and a properly executed certification by the Fiscal Officer. All checks should be signed by the Fiscal Officer and recorded in the cash journal and appropriation ledger. Vouchers should be filed numerically or by vendor.

Statutory Requirements

State law places the following requirements on the disbursements of funds:

Checks - Disbursements may only be made by a proper check drawn against an appropriate fund. The check must show upon its face the appropriation from which the disbursement is made and the fund which it is drawn upon.

Restrictions – Monies are drawn from the Village treasury only for appropriations enacted by the Village Council. Disbursements from each fund may be used only for the purposes of such fund and to the extent that cash exists in the fund.

Certification - If no certificate of the Fiscal Officer is furnished as required, upon receipt by the Village Council of a certificate of the Fiscal Officer stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the Village Council may authorize the drawing of a check in payment of amounts due upon such contract, but such resolution shall be passed within thirty days from the receipt of such certificate; provided that, if the amount involved is less than \$3,000, the Fiscal Officer may authorize it to be paid without such affirmation of the Village Council, if such expenditure is otherwise valid.

Administrative Code Requirements

Section 117-2-02(C)(3) of the Ohio Administrative Code states “vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information.”

Method used by the Village

The Fiscal Officer receives all mail and reviews all invoices received.

Bills are paid twice a month. The Fiscal Officer creates a check in the UAN software and assigns the appropriate purchase order number.

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At the next Council meeting, a packet for each unpaid purchase incurred since the last meeting, including payments to be made electronically, are given to Council for approval. The packet includes: the unsigned check, the invoice (or monthly statement), the purchase order, and if applicable any cash register receipts. The minutes document that Council approves the payments. The day after Council approves the payments, the Fiscal Officer signs the checks and sends them to the vendors.

The Fiscal Officer and a Council member are the only two people that have access to the UAN software. The Council person is a back-up for the Fiscal Officer.

Auditor of State Comments

- The Village has a large payable to Western Water for the purchase of water. The Village should work with Western Water to adopt a repayment schedule agreeable to both parties.

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Report on Accounting Methods

Payroll Processing

Description of an Effective Method of Payroll Processing

The processing of the payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross and net compensation for the pay period and the year. Standard deductions such as pension, Medicare, and state and federal taxes should also be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the Village should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official or by direct deposit to a bank account of the employee. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain relevant employee information and any other information required by state and/or federal laws.

Statutory Requirements

The following State statutes apply:

Section 705.13, of the Revised Code requires the legislative authority of a municipal corporation to set, by ordinance, the salary of its members so that each shall be paid in equal monthly installments. For each absence from regular meetings of the legislative authority, unless authorized by a two-thirds vote of all members thereof, there shall be deducted a sum equal to 2 percent of such annual salary. Absence for ten successive regular meetings shall operate to vacate the seat of a member, unless such absence is authorized by the legislative authority.

Section 731.13 of the Revised Code requires the legislative authority of a Village to fix the compensation and bonds of all officers, clerks, and employees of the Village except as otherwise provided by law. The legislative authority must, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office. All bonds shall be made with sureties subject to the approval of the Mayor. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed. This section does not prohibit the payment of any increased costs of continuing to provide the identical benefits provided to an officer at the commencement of his/her term of office.

Methods Used by the Village

The Village has a Mayor, Village Administrator, Fiscal Officer, Council, Solicitor and three part time employees who are called on an “as needed” basis. Village employees do not accrue any leave time.

The elected Mayor and Council members, Village Solicitor and all other employees are paid monthly. The Mayor and Village Solicitor are paid current and all other employees are paid one month behind. For all employees, the pay period begins on the first day of the month and ends on the last day of the month.

When an employee is hired or an official is new, an IRS Form W-4, State Form IT-7, and pension forms (if applicable) are completed. The files contain forms for tax information, Ohio Public Employees Retirement System forms, withholding forms, I9 employment eligibility verification forms, certifications received during employment, licenses, disciplinary actions, drug screening, and insurance forms, and any other information the Village chooses to retain about the employee. The personnel files are kept on file in a locked file cabinet in the Fiscal Officer’s home.

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All newly hired employees are approved by Village Council and reflected in the minutes. Village Council approves all pay rates and pay increases by ordinance.

The part time Village employees use manual timesheets to track hours worked. The timesheets show the dates, hours worked and what fund their pay is charged to each day. Once the timesheets are completed for the month, the employees sign and give them to the Mayor or Village Administrator to approve and sign. The Village Administrator's timesheet is approved by the Mayor. Once the time sheets are approved, they are sent to the Fiscal Officer to use for payroll processing. The Fiscal Officer usually receives the monthly time sheets within the second week of the following month and re-calculates the timesheets. If any adjustments are needed, the Fiscal Officer will make the adjustment and initial her change; however, no one signs off on any adjustments to the payroll.

The Village utilizes a computer system provided by the Uniform Accounting Network (UAN), which includes payroll software. The payroll software allows for the accumulation and aggregation of all payroll data for the year. Detailed payroll registers, withholding reports and various other reports can be generated by the payroll software. The payroll software provides month and year-to-date information and detailed and summary information.

The Fiscal Officer prints out the Wage Withholdings Detail Report, the EFT file from UAN and attaches the supporting documentation for payroll to be filed with the monthly packet. All employees are paid by direct deposit.

The Fiscal Officer prepares the EFT file for the electronic transfer of payroll within UAN. The total amount of wages being paid out to employees on the EFT file is compared to the total amount uploaded into the online banking website by the Fiscal Officer before submitting the file. The Fiscal Officer prints out the confirmation form and totals the amount of payroll paid via the online banking website and attaches it to the supporting documentation.

The Fiscal Officer makes a copy of each pay stub which is attached to the form that gets approved by Council. The original is placed in an envelope and sealed for each employee to pick up at their convenience and they are also e-mailed a copy of their pay stub. The Fiscal Officer takes all the employee envelopes to the Village Administration Building for the employees to pick up with exception of the Village Solicitor's, which is sent by mail.

Elected Officials – The Mayor and Council member salaries were established by Council in a Council meeting that took place on June 16, 2014. The Fiscal Officer keeps track of attendance by meeting. Council members are paid \$20 per meeting unless their pay has been waived. As previously stated, 4 out of 5 Council members have waived their compensation for 2018 from the Village pursuant to OAG 2003-027. Attendance is kept but zero is written in for the total amount of pay for each Council member that waived compensation. The Mayor is paid 100 percent from the General Fund. The Fiscal Officer is paid from the General Fund, Water Fund, Sewer Fund and the Waste Fund. Other pay rates have been established by the Council.

Retirement – The Village does not offer any retirement benefits.

Auditor of State Comments

None

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Report on Accounting Methods

Debt Administration

Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. An ordinance authorizing the issuance of debt must be passed by Village Council. The statute authorizing the issuance should be identified in the ordinance as well as the purpose of the debt, the maturity, the interest rate, and the source of revenue to be used for repayment. Debt proceeds should be recorded in a separate fund and used only for the purpose specified in the authorizing ordinance. Monies to be used for debt payments may be receipted into a separate fund created specifically for debt retirement. Care should be taken to ensure the timely payment of both principal and interest.

Statutory Requirements

General statutory guidelines regarding the issuance of debt are found in Chapters 133 and 5705 of the Revised Code. The statutory requirements vary depending on the nature of the debt being issued.

A municipal corporation shall not incur net indebtedness that exceeds an amount equal to ten and one-half percent of its tax valuation, or incur without a vote of the electors net indebtedness that exceeds an amount equal to five and one-half percent of that tax valuation.

Methods Used by the Village

The Fiscal Officer monitors debt payments using the debt service schedules and invoices for debt payments received by the Village. Debt issuances are authorized by Village Council Ordinance. The statute authorizing the issuance is identified in the Ordinance as well as the purpose of the debt, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment.

When the Village Administrator determines that a project is needed, the request is taken to the Village Council, which considers whether to approve new debt issuances. Debt instruments are signed by the Mayor. The sources for debt payments are revenue from water and sewer usage. All debt payments are made by either check or electronic payments as a part of paying bills.

The Village's debt is described below:

<u>Debt Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Final Maturity</u>	<u>Outstanding 12/31/2017</u>
Business-Type Activities:					
<u>Ohio Public Works Commission (OPWC):</u>					
OPWC Wastewater Treatment and Collection Loan	1/1/2002	0.00 %	840,307	7/1/2021	\$168,061
OPWC Water Main Replacement Project Loan	1/1/2015	0.00 %	738,358	7/1/2044	664,523
Total OPWC Loans					<u>\$832,584</u>

(Continued)

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<u>Debt Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Final Maturity</u>	<u>Outstanding 12/31/2017</u>
<u>Ohio Water Development Authority (OWDA):</u>					
OWDA Wastewater System Construction Loan	1/1/2001	2.20 %	780,427	7/1/2020	\$139,898
OWDA Waste Distribution System Replacement Loan	2/23/2012	1.50 %	51,883	7/1/2042	44,767
Total OPWDA Loans					<u>184,665</u>
Total Debt					<u>\$1,017,249</u>

The Village is not delinquent on any principal and interest payments.

The Ohio Public Works Commission (OPWC) loans are for improvements to wastewater treatment and collection and water main replacement. The loans will be repaid over the course of 20 to 30 years.

The Ohio Water Development Authority (OWDA) loans are for improvements to the wastewater system and waste distribution system replacement. The loans will be repaid over the course of 20 to 30 years.

Auditor of State Comments

None

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Inventory of Capital Assets

Description of an Effective Inventory of Capital Assets and Supplies

Capital assets of the Village should be adequately safeguarded against loss or theft. An inventory describing each item, cost, serial and/or model number, location, date of purchase should be maintained by the Fiscal Officer. The inventory should be updated periodically for purchases and disposals. Verification of the listed assets should be performed at least annually. The disposal of an asset should be properly authorized and reported to the Fiscal Officer.

Administrative Code Requirements

Section 117-2-02(D)(4)(c) of the Ohio Administrative Code requires that all local public offices maintain capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location and tag number. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

Method used by the Village

The Village does not have a formal policy for capital assets. Once a year, the Village Administrator and the Mayor prepare an inventory of equipment. The inventory sheets include a description of the item, a serial number when available, the year purchased, quantity and location. Permanent fixtures are not included in the inventory. When all inventory sheets are completed, a master inventory list is created and stored at the Village Administration Building. The Village did not provide an inventory listing for 2017. The Village has not had any significant additions or deletions to capital assets in recent years. All Village officials have access to all of the assets.

The Mayor, Village Administrator, Fiscal Officer, and part time employees have keys to access the Village Administration Building. When there are no employees on duty, the Village Administration Building and all vehicles are locked.

Auditor of State Comments

- The Village does not have a formal policy for capital assets. The Village should develop an inventory of all capital assets and update it annually. The Village should adopt policies and procedures to account for capital assets and develop an inventory of all capital assets.

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Cash Management and Investing

Description of an Effective Method of Cash Management

Cash received by the Village should be deposited in a central bank account. Monies for all funds should be maintained in the account or temporarily used to purchase investments. Idle cash should be invested in interest bearing accounts, certificates of deposit, STAR Ohio, and/or other investments as authorized by State statute. Investment transactions should be conducted in accordance with the policies adopted by Village Council. Deposits of public monies should be insured and/or collateralized to insure repayment of public monies deposited with a financial institution. Interest allocated should be in accordance with the Ohio Constitution and State statutes.

A reconciliation between the bank and cash journal should be completed for all accounts on a monthly basis. The reconciliation should be completed immediately after the books are closed for the month and upon receipt of the bank statement. Reconciling items should be specifically identified and listed by the Fiscal Officer.

Statutory Requirements

Section 135.14(O)(1) of the Revised Code states, “Except as otherwise provided in divisions (O)(2) and (3) of this section, no Treasurer or governing board shall make an investment or deposit under this section, unless there is on file with the Auditor of State a written investment policy approved by the Treasurer or governing board. The policy shall require that all entities conducting investment business with the Treasurer or governing board shall sign the investment policy of that subdivision.”

Section 135.14(O)(2) of the Revised Code states, “if a written investment policy described in division (O)(1) of this section is not filed on behalf of the subdivision with the Auditor of State, the treasurer or governing board of that subdivision shall invest the subdivision’s interim moneys only in interim deposits pursuant to division (B)(3) of this section or interim deposits pursuant to section 135.145 of the Revised Code and approved by the Treasurer of State, no-load money market mutual funds pursuant to division (B)(5) of this section, or the Ohio subdivision’s fund pursuant to division (B)(6) of this section.”

Section 135.14 (O)(3) of the Revised Code states, “Divisions (O)(1) and (2) of this section do not apply to a Treasurer or governing board of a subdivision whose average annual portfolio of investments held pursuant to this section is one hundred thousand dollars or less, provided that the Treasurer or governing board certifies, on a form prescribed by the Auditor of State, that the Treasurer or governing board will comply and is in compliance with the provisions of sections 135.01 to 135.21 of the Revised Code.”

Section 135.22 of the Revised Code requires the Fiscal Officer to attend annual training programs of continuing education for treasurers provided by the Treasurer of State. A Fiscal Officer is not subject to this training if the investments are limited as defined by the Revised Code and an exemption form is certified by the Treasurer of State.

Section 135.12 of the Revised Code requires that the designation period for depositories be five years.

In addition to the training required by Section 135.22 regarding investing, section 733.81 of the Revised Code requires that the Fiscal Officer attend annual training programs of continuing education for village clerks provided by the Auditor of State. This training encompasses a wide variety of topics.

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Federal Requirements

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) requires that, in order for a depositor to have a valid claim to assets of a failed financial institution, there must be a security agreement. This agreement must have been:

1. in writing;
2. executed by the financial institution and the depositor making the claim;
3. approved by the board of directors or loan committee of the institution; and
4. an official record of the financial institution continuously from the time of its execution.

Method used by the Village

The Village has a single bank account at People's Bank. The Village has a signed depository agreement with People's Bank that is renewable every five years. The Village's deposits are collateralized through the Ohio Pooled Collateral System (OPCS). Interest from the account is posted monthly to the General Fund. The Village does not have any petty cash.

The Fiscal Officer performs the bank reconciliation for the prior month, no later than the 10th of each month. The UAN software provides a reconciliation from bank to books which is currently being utilized by the Fiscal Officer. The reconciliation is printed from the software and includes an outstanding checklist. The bank reconciliation is printed from the UAN software each month.

The Fiscal Officer is exempt from annual investment training provided by the Treasurer of State and has filed an exemption for 2018.

The Fiscal Officer attends seminars provided by the Auditor of State's office annually.

Auditor of State Comments

- Monthly interest is currently only being posted to the General Fund. Interest should be distributed in accordance with the Ohio Constitution and State statutes.

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Report on Accounting Methods

Financial Reporting

Description of Effective Method of Financial Reporting

At least monthly, the Fiscal Officer should provide Village Council with a report that identifies year to date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the Village. In addition, information concerning the estimated and actual receipts, appropriations, and disbursements plus encumbrances should be presented for Village Council's review. On an annual basis the Fiscal Officer should prepare and publish financial statements, a comparison of budgeted versus actual information, a summary of debt activity for the year, and the outstanding principal balance on all debt obligations.

Statutory Requirements

Section 117.38 of the Revised Code requires that the annual financial report be filed with the Auditor of State within sixty days after the close of the year for reports prepared on the cash basis of accounting. At the time the report is filed, a notice should be published in the local newspaper that the report is completed and available at the office of the Fiscal Officer.

Section 733.45 of the Revised Code states, "The treasurer of a municipal corporation shall settle and account with the legislative authority, quarterly, and at any other time which it by resolution or ordinance requires. At the first regular meeting of such legislative authority in January, each year, the treasurer shall report to it the condition of the finances of the municipal corporation, the amount received, the sources of such receipts, the disbursements made, and on what account during the year preceding. Such account shall exhibit the balance due on each fund which has come into the treasurer's hands during the year."

Administrative Code Requirements

Ohio Administrative Code section 117-2-03(A)(1) requires that local public offices file their annual financial report electronically with the Auditor of State through the annual financial data reporting system (The HINKLE system) via an entity-specific link, unless the local public office has an approved waiver. A copy of the report is to be retained by the fiscal officer of the public office.

Ohio Administrative Code section 117-2-03(C) requires that local public offices that use the "Uniform Accounting Network" shall file their annual financial reports in accordance with the guidelines established by the Uniform Accounting Network.

Ohio Administrative Code section 117-2-03(D) requires that local public offices who do not prepare their annual reports using generally accepted accounting principles or another comprehensive basis of accounting shall file their annual financial reports on the regulatory basis prescribed by the Auditor of State.

Financial Reporting Requirements - On February 2, 2005, the American Institute of Certified Public Accounts (AICPA) issued an interpretation of one of its auditing standards (i.e., AU Section 623 Special Reports) that affects those governments that prepare financial statements using the cash or modified cash basis of accounting. According to the interpretations, the cash basis financial statement presentation must "look like" a generally accepted accounting principles (GAAP) presentation (i.e., GASB Statement No. 34); otherwise, the Auditor of State or contracted independent public accounting firm is required to issue an adverse opinion. For entities that are not legally required to prepare their financial statement in accordance with GAAP and elect not to present "look alike" statements (such entities in Ohio include libraries, townships, villages, and special districts), the Auditor of State will render a second opinion at the same time it issues its adverse opinion. Therefore, local governments receive two opinions as part of their audit report if their financial statements do not look like GAAP statements (i.e., GASB Statement No. 34).

Village of Clarksville – Clinton County

Report on Accounting Methods

Methods Used by the Village

The Village prepared its annual financial report on a regulatory basis for the year ended December 31, 2017. The report was filed with the Auditor of State on January 31, 2018 and a notice was published in the local newspaper that the report had been filed and was available to the public for review.

Each month at the Council meeting, the Fiscal Officer provides Council with a packet of financial reports in electronic format, which gives an overview of the Village's financial activity and status as of the end of the prior month.

The financial reports consist of the following:

Bank Reconciliation Report: This report provides the Village's cash reconciliation as completed in the UAN financial software. The report takes the original UAN balance at the beginning of the month, adds the total receipts received, and subtracts the total expenditures paid throughout the month to get an ending UAN balance. This balance is compared to the ending bank balance from the Village's bank account.

Fund Summary Report: This report provides the starting fund balances for all Village funds as recorded in the UAN financial software, the month to date revenues and expenditures, the year to date revenues and expenditures, the ending fund balances, the reserves for encumbrances, and the unencumbered fund balances.

Revenue Status Report: This report provides an analysis of the revenue budget as recorded in the UAN financial software. The report includes the final budget for all Village accounts, the year to date revenue, the budget variance, and the year to date percentage received.

Appropriation Status Report: This report provides an analysis of the appropriation budget as recorded in the UAN financial software. The report includes total appropriations, year to date expenditures, current reserves for encumbrances, unencumbered balances, and the year to date percentage paid.

Payment Register Detail Report: This report provides a list of all expenditures posted to the UAN financial software during the applicable month.

Receipt Listing Report: This report provides a list of all receipts posted to the UAN financial software during the applicable month.

A form listing all the reports received by Council is signed as their acknowledgement and understanding of the information provided. The report listing is recorded in the Minutes. The Fiscal Officer keeps a copy of this packet and the original signature pages internally for reference.

Auditor of State Comments

None

Village of Clarksville – Clinton County

Report on Accounting Methods

Recording Official Proceedings

Description of an Effective Method of Recording Official Proceedings

The Village Council minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale supporting Village Council's decisions. An ordinance, resolution, or bylaw should be limited to one subject, which should be clearly expressed in its title. In the adoption or passage of an ordinance, resolution, or bylaw, the yeas and nays should be entered into the minutes and the ordinance, resolution, or bylaw, should be signed by the presiding officer and the Clerk of Council. All Village Council minutes, ordinances, and resolutions should be maintained as a permanent record of the Village.

Statutory Requirements

Section 121.22(C) of the Revised Code requires the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussion in executive sessions authorized under division (G) or (J) of this section. Further, the Ohio Supreme Court has held that the minutes must be "full and accurate," which means that they must contain sufficient facts and information to permit the public to understand and appreciate the rationale behind the relevant decision. The public not only has a right to know a government body's final decision on a matter, but also the means by which those decisions were reached.

Sections 731.20 through 731.25 of the Revised Code address the passage, style, number of subjects, authentication and recording, and publication requirements of Village Council legislation. In general, no ordinance, resolution or bylaw shall contain more than one subject, which shall be clearly expressed in its title. The copy of the proposed ordinance must be filed with the Clerk of Council and kept open for public inspection for ten days. Each Ordinance, Resolution or bylaw is required to be adopted or passed by separate vote of Village Council and the yeas and nays shall be entered in the minutes. Ordinances, Resolutions, and bylaws shall be authenticated by the signature of the presiding officer and clerk. Ordinances and Resolutions must be published in an English-speaking newspaper once a week for two consecutive weeks. If no newspaper is published within the Village, copies of the ordinances and resolutions must be posted in no less than the five most public places in the Village for not less than fifteen days prior to the effective date of the ordinances or resolutions or by publication in any newspaper printed in the State and of general circulation in the Village.

Section 149.39 of the Revised Code creates in each municipal corporation, a records commission composed of the chief executive or his appointed representative as chairman, the chief Fiscal Officer, the chief legal officer, and a citizen appointed by the chief executive. The commission shall appoint a secretary, who may or may not be a member of the commission, and who shall serve at the pleasure of the commission. The commission may employ an archivist to serve under its direction. The commission shall meet at least once every six months and upon call of the chairman. The functions of the commission shall be to provide rules for retention and disposal of records of the municipal corporation, to review applications for one-time records disposal, and schedules of records retention and disposition submitted by municipal offices.

Section 149.011(G) of the Revised Code defines public records to include any document, device, or item, regardless of physical form of characteristic, including an electronic record as defined in section 1306.01 of the Revised Code, created or received by or coming under the jurisdiction of any public office of the State or its political subdivisions, which serves to document the organization, functions, policies, decisions, operations, or other activities of the office.

Village of Clarksville – Clinton County

Report on Accounting Methods

Methods Used by the Village

Council meetings are held on the fourth Monday of each month unless it is a holiday. If that occurs, the meeting will be on the fourth Tuesday of the month. The Fiscal Officer takes notes during the Village Council meetings and records them with an electronic voice recorder. From those notes and electronic recordings, the Fiscal Officer prepares the minutes of the meeting. The minutes include attendance, a list of visitors, adoption of previous minutes, motions (the mover and the seconder), visitor comments, summary of discussions throughout the meetings, reports presented by the Fiscal Officer and Village Administrator, Resolutions and Ordinances by number and description and the votes thereon, any disagreements between Village Council members, old and new business, executive session purposes including: times and adjournment. The minutes are approved, signed, and dated by the Mayor and the Fiscal Officer at the next Village Council meeting. The recoding of the minutes is not retained. Once the minutes are approved they are recorded over at the next meeting. Copies of proposed Ordinances are posted outside the Village Administration Building on the Village bulletin board for public viewing prior to meetings.

When Council enters into an executive session, the minutes reflect the motion, the reason, the time entered and exited the executive session.

The minutes, Ordinances, and Resolutions are kept in a binder and stored at the Fiscal Officer's home in a locked filing cabinet. The Ordinances and Resolutions that have been approved are signed by the Mayor and the Fiscal Officer. The Fiscal Officer stores them in the minutes binder in a separate section. An index is created as the year progresses but is not printed and placed into the binder until the year is completed. The Village does not have a records retention policy.

Auditor of State Comments

- The Village has not established rules for the retention and disposal of records as required by section 149.39 of the Revised Code.
- The electronic recording of the minutes should be retained as a public record as required by section 149.011 of the Revised Code and affirmed by Ohio Attorney General's Opinion 2008-019.

Village of Clarksville – Clinton County

Report on Accounting Methods

Conclusion

The methods as described by the Village and included in this report are based on our inquiries and discussions with Village personnel and the related procedures documented from the Village's ordinances, administrative rules and the Revised Code. These methods, in some cases, vary from the actual methods used in performing the daily activities.

It is our opinion that the current methods of accounting and financial reporting of the Village of Clarksville are not completely in compliance with Chapter 117 of the Revised Code and the requirements of the Auditor of State as disclosed throughout this report.

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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
OCTOBER 11, 2018