



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF CLARINGTON
MONROE COUNTY

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Clarington
Monroe County
P. O. Box 215
Clarington, Ohio 43915

To the Village Council:

We have audited the accompanying financial statements of the Village of Clarington, Monroe County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Clarington, Monroe County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

April 30, 2002

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$12,039	\$	\$12,039
Intergovernmental Receipts	40,196	14,043	54,239
Charges for Services	2,000	774	2,774
Fines, Licenses, and Permits	815		815
Earnings on Investments	3,971	122	4,093
Miscellaneous	953	297	1,250
	<u>59,974</u>	<u>15,236</u>	<u>75,210</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	4,733		4,733
Public Health Services	924	1,363	2,287
Leisure Time Activities	3,565		3,565
Basic Utility Services	4,240		4,240
Transportation		9,930	9,930
General Government	23,728		23,728
Debt Service:			
Principal Payments	1,699	1,699	3,398
	<u>38,889</u>	<u>12,992</u>	<u>51,881</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>21,085</u>	<u>2,244</u>	<u>23,329</u>
Other Financing Receipts and (Disbursements):			
Contingencies	(10,250)		(10,250)
Transfers-Out	(109)		(109)
	<u>(10,359)</u>	<u>0</u>	<u>(10,359)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	10,726	2,244	12,970
Fund Cash Balances, January 1	4,421	6,917	11,338
Fund Cash Balances, December 31	<u>\$15,147</u>	<u>\$9,161</u>	<u>\$24,308</u>

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

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$174,662	\$	\$174,662
Earning on Investments	880	5,290	6,170
Total Operating Cash Receipts	175,542	5,290	180,832
Operating Cash Disbursements:			
Personal Services	33,252	1,989	35,241
Fringe Benefits	6,699	455	7,154
Contractual Services	23,542	196	23,738
Supplies and Materials	12,046		12,046
Capital Outlay	297,044		297,044
Miscellaneous	492		492
Total Operating Cash Disbursements	373,075	2,640	375,715
Operating Income/(Loss)	(197,533)	2,650	(194,883)
Non-Operating Cash Receipts:			
Proceeds of Notes	33,621		33,621
Intergovernmental Receipts	83,840		83,840
Total Non-Operating Cash Receipts	117,461	0	117,461
Non-Operating Cash Disbursements:			
Debt Service	67,256		67,256
Total Non-Operating Cash Disbursements	67,256	0	67,256
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(147,328)	2,650	(144,678)
Transfers-In	75,109		75,109
Advances-In	48,241		48,241
Transfers-Out	(75,000)		(75,000)
Advances-Out	(48,241)		(48,241)
Net Receipts Over/(Under) Disbursements	(147,219)	2,650	(144,569)
Fund Cash Balances, January 1	202,999	84,493	287,492
Fund Cash Balances, December 31	\$55,780	\$87,143	\$142,923

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

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$11,118	\$	\$11,118
Intergovernmental Receipts	22,107	14,868	36,975
Charges for Services	2,000	2,550	4,550
Fines, Licenses, and Permits	766		766
Earnings on Investments	6,897	171	7,068
Miscellaneous	2,142	135	2,277
	<u>45,030</u>	<u>17,724</u>	<u>62,754</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	5,431		5,431
Public Health Services	1,039	2,453	3,492
Leisure Time Activities	26,238		26,238
Basic Utility Services	2,686		2,686
Transportation	3,000	12,073	15,073
General Government	23,884		23,884
Debt Service:			
Principal Payments	1,699	1,699	3,398
	<u>63,977</u>	<u>16,225</u>	<u>80,202</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(18,947)</u>	<u>1,499</u>	<u>(17,448)</u>
Other Financing Receipts and (Disbursements):			
Contingencies	(1,599)		(1,599)
Transfers-Out	(1,763)		(1,763)
	<u>(3,362)</u>	<u>0</u>	<u>(3,362)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(22,309)	1,499	(20,810)
Fund Cash Balances, January 1	<u>26,730</u>	<u>5,418</u>	<u>32,148</u>
Fund Cash Balances, December 31	<u>\$4,421</u>	<u>\$6,917</u>	<u>\$11,338</u>

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

**VILLAGE OF CLARINGTON
MONROECOUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$170,425	\$	\$170,425
Earnings on Investments		4,436	4,436
Total Operating Cash Receipts	<u>170,425</u>	<u>4,436</u>	<u>174,861</u>
Operating Cash Disbursements:			
Personal Services	29,871	612	30,483
Fringe Benefits	6,680	373	7,053
Contractual Services	30,889	50	30,939
Supplies and Materials	9,744	1,320	11,064
Capital Outlay	15,074		15,074
Miscellaneous	150		150
Total Operating Cash Disbursements	<u>92,408</u>	<u>2,355</u>	<u>94,763</u>
Operating Income/(Loss)	<u>78,017</u>	<u>2,081</u>	<u>80,098</u>
Non-Operating Cash Receipts:			
Proceeds of Notes	10,000		10,000
Total Non-Operating Cash Receipts	10,000	0	10,000
Non-Operating Cash Disbursements:			
Debt Service	67,256		67,256
Total Non-Operating Cash Disbursements	<u>67,256</u>	<u>0</u>	<u>67,256</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	20,761	2,081	22,842
Transfers-In	763	1,000	1,763
Net Receipts Over/(Under) Disbursements	21,524	3,081	24,605
Fund Cash Balances, January 1	181,475	81,412	262,887
Fund Cash Balances, December 31	<u>\$202,999</u>	<u>\$84,493</u>	<u>\$287,492</u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Clarington, Monroe 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. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities and park operations. The Village contracts with the Clarington Volunteer Fire Department to provide fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and U.S. Treasury Notes are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Cemetery Fund – This fund receives charges for services for sale of cemetery lots.

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

4. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant Fiduciary Fund:

Cemetery Endowment Fund – This Nonexpendable Trust Fund receives interest from investments for operation and maintenance of the Village Cemetery.

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$28,202	\$130,616
Certificates of deposit	138,029	167,214
Total deposits	166,231	297,830
 U.S. Treasury Notes	 1,000	 1,000
Total investments	1,000	1,000
Total deposits and investments	\$167,231	\$298,830

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, and/or (2) collateralized by securities specifically pledged by the financial institution to the Village.

Investments: U.S. Treasury Notes are held in book entry form by the Federal Reserve, in the name of the Village's financial institution.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,905	\$59,974	\$7,069
Special Revenue	14,850	15,236	386
Enterprise	742,710	416,353	(326,357)
Fiduciary	4,000	5,290	1,290
Total	<u>\$814,465</u>	<u>\$496,853</u>	<u>(\$317,612)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditure	Variance
General	\$57,091	\$49,248	\$7,843
Special Revenue	15,439	12,992	2,447
Enterprise	923,244	563,572	359,672
Fiduciary	4,000	2,640	1,360
Total	<u>\$999,774</u>	<u>\$628,452</u>	<u>\$371,322</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,685	\$45,030	(\$8,655)
Special Revenue	14,730	17,724	2,994
Enterprise	163,050	181,188	18,138
Fiduciary	5,000	5,436	436
Total	<u>\$236,465</u>	<u>\$249,378</u>	<u>\$12,913</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,415	\$67,339	\$13,076
Special Revenue	19,329	16,225	3,104
Enterprise	328,683	159,664	169,019
Fiduciary	5,000	2,355	2,645
Total	<u>\$433,427</u>	<u>\$245,583</u>	<u>\$187,844</u>

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

During both 2001 and 2000 the Village did not properly obtain the Clerk's prior certification for expenditures, contrary to Ohio Rev. Code Section 5705.41(D)

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan #0999	\$565,210	7.45%
OWDA Loan #0999S	31,253	6.16%
OWDA Loan #EV0487	20,000	0.00%
OPWC Loan #CT65C	113,150	2.00%
OPWC Loan #CU731	3,016	0.00%
OPWC Loan #CT770	28,714	0.00%
Total	<u>\$761,343</u>	

The Ohio Water Development Authority (OWDA) loan #0999 relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA approved \$689,992 in loans to the Village for this project. The loans will be repaid in semi-annual installments of \$30,814, including interest, over 25 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Authority (OWDA) loan #0999S relates to a sewer plant expansion project that was mandated by the Ohio Environment Protection Agency. The OWDA approved \$39,034 in loans to the Village for this project. The loans will be repaid in semi-annual installments of \$1,564, including interest, over 24.5 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan #EV0487 relates to a sewer plant expansion project that was mandated by the Ohio Environment Protection Agency. The OWDA has approved up to \$25,000 in loans to the Village for this project. The scheduled payment amount below assumes that \$25,000 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OWPC) loan #CT65C relates to water system replacement project. The OPWC has approved up to \$113,150 in loans to the Village for this project. The scheduled payment amount below assumes that \$113,150 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by the water and sewer receipts. The Village agreed to set utility rates sufficient to cover OWPC debt service requirements.

The Ohio Public Works Commission (OWPC) loan #CU731 relates to a bridge replacement project. The OPWC has approved up to \$10,054 in loans to the Village for this project. The loans will be repaid in semi-annual installments of \$503, over 10 years.

The Ohio Public Works Commission (OWPC) loan #CT770 relates to a street resurfacing project. The OPWC has approved up to \$47,856 in loan relates to a Village for this project. The loans will be repaid in sem-annual installments of \$1,196, over 20 years.

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

	OWDA Loan #0999	OWDA Loan #0999S	OWDA Loan #EV0487	OPWC Loan #CU731
Year ending December 31:				
2002	\$61,629	\$3,128	\$2,500	\$1,005
2003	61,629	3,128	2,500	1,005
2004	61,629	3,128	2,500	1,006
2005	61,629	3,128	2,500	
2006	61,629	3,128	2,500	
2007-2018	677,914	34,400	7,500	
Total	\$986,059	\$50,040	\$20,000	\$3,016

	OPWC Loan #CT770	OPWC Loan #CT65C
Year ending December 31:		
2002	\$2,393	\$5,853
2003	2,393	5,853
2004	2,393	5,853
2005	2,393	5,853
2006	2,393	5,853
2007-2018	16,749	87,795
Total	\$28,714	\$117,060

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RETIREMENT SYSTEMS

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance to full-time employees through a private carrier.

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Clarington
Monroe County
P. O. Box 215
Clarington, Ohio 43915

To the Village Council:

We have audited the accompanying financial statements of the Village of Clarington, Monroe County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 30, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2001-35056-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated April 30, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 30, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

April 30, 2002

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-35056-001

Noncompliance Citation

Ohio Rev. Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time the certification is being completed, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village Council may authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the Village.

- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Village Council.

For thirty-three percent of the transactions tested in 2001 and twenty-six percent of the transactions tested in 2000, the certification of the Clerk was dated subsequent to incurring the obligation. The commitments greater than \$1,000 were not subsequently approved by the Village Council within the aforementioned 30 day time period.

We recommend the Township obtain prior certification of the availability of appropriated funds for proposed purchases before the liability is incurred. In cases where prior certification is not practicable, the use of a “then and now” certificate should be considered.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-31056-001	Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Of expenditures tested in 1999 and 1998, 36% and 47% ,respectively did not contain prior certification.	No	Not Corrected; Repeated in GAGAS letter as Finding 2001-31056-001.



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OFFICE OF THE AUDITOR

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VILLAGE OF CLARINGTON

MONROE 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
JUNE 25, 2002**