



**Auditor of State
Betty Montgomery**

VILLAGE OF CLARKSVILLE
CLINTON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Clarksville, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. 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 as of December 31, 2002 and 2001, 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 28, 2003 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, Village Council and other officials authorized to receive this report under Section 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 28, 2003

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<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	\$11,338	\$0	\$11,338
Special Assessments	0	6,876	6,876
Intergovernmental Receipts	20,653	45,254	65,907
Charges for Services	0	90,000	90,000
Fines, Licenses, and Permits	242	0	242
Earnings on Investments	350	0	350
Miscellaneous	2,078	10,230	12,308
	<u>34,661</u>	<u>152,360</u>	<u>187,021</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	7,200	88,080	95,280
Transportation	0	42,577	42,577
General Government	25,154	0	25,154
Debt Service:			
Principal Payments	10,000	51,245	61,245
Interest Payments	0	4,204	4,204
	<u>42,354</u>	<u>186,106</u>	<u>228,460</u>
Total Cash Disbursements			
Total Receipts (Under) Disbursements	<u>(7,693)</u>	<u>(33,746)</u>	<u>(41,439)</u>
Fund Cash Balances, January 1	<u>15,802</u>	<u>160,206</u>	<u>176,008</u>
Fund Cash Balances, December 31	<u>\$8,109</u>	<u>\$126,460</u>	<u>\$134,569</u>

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$235,488
Miscellaneous	6,565
	<u>242,053</u>
Total Operating Cash Receipts	<u>242,053</u>
Operating Cash Disbursements:	
Personal Services	30,706
Contractual Services	158,008
Supplies and Materials	28,119
Miscellaneous	198
	<u>217,031</u>
Total Operating Cash Disbursements	<u>217,031</u>
Operating Income	<u>25,022</u>
Non-Operating Cash Receipts:	
Proceeds of Loan	43,211
Intergovernmental Receipts	16,871
	<u>60,082</u>
Total Non-Operating Cash Receipts	<u>60,082</u>
Non-Operating Cash Disbursements:	
Debt Service	75,709
Other Non-Operating Cash Disbursements	78,359
	<u>154,068</u>
Total Non-Operating Cash Disbursements	<u>154,068</u>
Net Receipts (Under) Disbursements	(68,964)
Fund Cash Balances, January 1	<u>93,269</u>
Fund Cash Balances, December 31	<u>\$24,305</u>

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$10,529	\$0	\$10,529
Special Assessments	0	6,219	6,219
Intergovernmental Receipts	20,214	33,762	53,976
Charges for Services	0	88,166	88,166
Earnings on Investments	2,322	72	2,394
Miscellaneous	1,552	14,518	16,070
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	34,617	142,737	177,354
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	7,200	64,684	71,884
Transportation	0	29,418	29,418
General Government	32,460	0	32,460
Debt Service:			
Principal Payments	0	48,353	48,353
Interest Payments	0	7,096	7,096
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	39,660	149,551	189,211
	<hr/>	<hr/>	<hr/>
Total Receipts (Under) Disbursements	(5,043)	(6,814)	(11,857)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	20,845	167,020	187,865
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$15,802</u>	<u>\$160,206</u>	<u>\$176,008</u>

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$203,455
Miscellaneous	6,206
	209,661
Total Operating Cash Receipts	209,661
Operating Cash Disbursements:	
Personal Services	24,693
Contractual Services	108,741
Supplies and Materials	5,846
Miscellaneous	699
	139,979
Total Operating Cash Disbursements	139,979
Operating Income	69,682
Non-Operating Cash Receipts:	
Proceeds of loan	1,012,250
Intergovernmental Receipts	15,936
	1,028,186
Total Non-Operating Cash Receipts	1,028,186
Non-Operating Cash Disbursements:	
Debt Service	53,414
Other Non-Operating Cash Disbursements	1,143,643
	1,197,057
Total Non-Operating Cash Disbursements	1,197,057
Net Receipts (Under) Disbursements	(99,189)
Fund Cash Balances, January 1	192,458
Fund Cash Balances, December 31	\$93,269

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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 Deposits

During 2002 and 2001 the Village's funds were deposited in a checking account with a local commercial bank.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund 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 Fund

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.

Fire and Rescue Fund

This fund receives proceeds from the tax levy and proceeds from contracts with other governmental entities to provide fire and ambulance services.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permissive Motor Vehicle Fund

This fund receives license tax money to pay for maintaining and repairing village roads.

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.

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, function or object 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.

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. The Village did not encumber all commitments required by Ohio law. There were no material outstanding encumbrances at 12/31/02 or 12/31/01.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	2002	2001
Demand deposits	\$158,874	\$269,277

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$29,181	\$34,661	\$5,480
Special Revenue	124,924	152,360	27,436
Enterprise	279,597	302,135	22,538
Total	\$433,702	\$489,156	\$55,454

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$47,560	\$42,354	\$5,206
Special Revenue	216,380	186,106	30,274
Enterprise	346,283	371,099	(24,816)
Total	\$610,223	\$599,559	\$10,664

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,500	\$34,617	\$1,117
Special Revenue	150,700	142,737	(7,963)
Enterprise	1,118,000	1,237,847	119,847
Total	\$1,302,200	\$1,415,201	\$113,001

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,832	\$39,660	\$13,172
Special Revenue	216,080	149,551	66,529
Enterprise	1,135,829	1,337,036	(201,207)
Total	\$1,404,741	\$1,526,247	(\$121,506)

Contrary to Ohio law, expenditures exceeded appropriations in the Permissive fund by \$14,839, in the Water fund by \$12,809, in the Sewer fund by \$13,008 for the year ended December 31, 2002, and in the Sewer fund by \$213,338 for the year ended December 31 2001. The Village did not obtain prior certification of the fiscal officer for all purchase commitments as required by Ohio law.

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.

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

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

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
OWDA #3289	\$695,866	2.20%
OWDA #EVO428	20,847	0%
OPWC #CJ04C	777,284	0%
Squad Lease	33,148	6%
Total	\$1,527,145	

The Ohio Water Development Authority (OWDA) loan #3289 relates to the wastewater treatment plant project. The OWDA has approved up to \$825,557 in loans to the Village for this project. The Village has received \$780,427 of the proceeds as of 12/31/02. The Village may draw up to an additional \$45,130 from OWDA on this loan. The loans will be repaid in semiannual installments of \$25,623, including interest, over 20 years. The scheduled payment amount below assumes that \$825,557 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. 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 CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

The OWDA loan #EV0428 was issued in 1993 relating to the water works improvements. This was secured by utility fund customer charges for services.

The Ohio Public Works (OPWC) loan #CJ04C relates to waste water treatment and collection system improvements. The OPWC has approved up to \$1,090,307 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$21,007, over 20 years. The scheduled payment amount below is based on the borrowed amount of \$840,307 on which The Village has made three payments of \$21,007.68 through December 31, 2002. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Squad Lease was entered into in April 2000 with Leasing One Corporation, a division of Farmers Bank and Capital Trust Company, which retains a security interest in and to all rights, title, and interest in and to the equipment.

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

	OWDA Loan #3289	OWDA Loan #EV0428	OPWC Loan #CJ04C	Squad Lease
Year ending December 31:				
2003	\$51,246	\$1,986	\$42,014	\$18,144
2004	51,246	1,986	42,014	18,144
2005	51,246	1,986	42,014	
2006	51,246	1,986	42,014	
2007	51,246	1,986	42,014	
2008-2012	256,230	9,925	210,080	
2013-2017	256,230	992	210,080	
2018-2022	128,115		147,054	
Total	<u>\$896,805</u>	<u>\$20,847</u>	<u>\$777,284</u>	<u>\$36,288</u>

6. RETIREMENT SYSTEMS

The Village's officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS are cost-sharing, multiple-employer plans. These plans provide 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 2002 and 2001 PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross. The Village has paid all contributions required through December 31, 2002.

VILLAGE OF CLARKSVILLE
CLINTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)

7. **RISK MANAGEMENT**

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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



**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Clarksville, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 28, 2003. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-30414-001 through 2002-30414-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 28, 2003.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedules of findings as items 2002-30414-001 through 2002-30414-005.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we considered items 2002-30414-001 through 2002-30414-005 to be material weaknesses. We also noted other matters involving internal control over financial reporting that so not require inclusion in this report that we have reported to management in a separated reported dated April 28, 2003.

This report is intended solely for the information and use of management and 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 28, 2003

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-30414-001

Noncompliance Citation/Material Weakness

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. 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 requirement:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

- B. If the amount involved is less than one thousand dollars, the Clerk-Treasurer may authorize payment through a Then and Now Certificate without affirmation of Council, if such expenditure is otherwise valid.

Thirty-eight percent of the expenditures tested were executed without first obtaining the fiscal officer's certification and did not meet the exceptions provided for in the Code. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending of the Village funds.

FINDING NUMBER 2002-30414-002

Noncompliance/Material Weakness

Ohio Rev. Code, Section 733.28 requires that:

The Clerk keep the books of the Village, exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and the income derived. The Village's fiscal officer did not maintain an accurate receipt ledger or appropriation ledger.

Ohio Admin. Code, Section 117-2-02(A), sets forth the accounting and reporting records that all local public offices must maintain. All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record, and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements, and prepare financial statements. The accounting records that all public offices should maintain include the following:

FINDING NUMBER 2002-30414-002
(Continued)

1. Cash journal, which contains the following information: the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses.
3. Appropriation ledger, which may assemble and classify disbursements or expenditures/expenses into separate accounts, for, at a minimum, each account listed in the appropriation resolution.

Failure to use these ledgers to monitor activity could result in budgetary law violations. Budgetary variances should be monitored through the year, and amended certificates and appropriation modifications should be obtained when necessary.

Maintaining the ledgers will help to provide accurate and complete financial information for management to use in the decision making process. It will also assist in the preparation of the Village's annual financial reports.

FINDING NUMBER 2002-30414-003

Noncompliance/Material Weakness

Ohio Rev. Code, Section 9.38, states public money must be deposited with the treasurer of the public office or to a designated depository on the business day of the receipt, if the total amount of such moneys received exceeds \$1,000. If the total amount does not exceed \$1,000, the public official has the option of either depositing the money on the next business day following the day of receipt or adopting a policy permitting a different time period. The alternate time period, however, shall not exceed three business days following the day of receipt. Further, the policy must include procedures to safeguard the money until the time of deposit. During testing, it was noted that 52% of utility receipts were not deposited timely.

FINDING NUMBER 2002-30414-004

Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision or taxing unit from spending money unless it has been appropriated. Expenditures exceeded appropriations in the Sewer fund by \$213,339 for the year ended December 31, 2001 and in the Permissive fund by \$14,839, in the Water fund by \$12,809, and in the Sewer fund by \$13,008 for the year ended December 31, 2002.

The Treasurer should deny payment requests exceeding appropriations. The Treasurer may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2002-30414-005

Reportable Condition

The small size of the Village staff does not allow for an adequate segregation of duties. The Clerk processes all the financial record keeping including receipting, posting, and reconciling to the depository. Bookkeeping errors may occur without the detection of management. It is, therefore, important that the Council monitor financial activity.

We believe the following conditions indicate a need for increased oversight of management by the Village:

- a. The Village was making payments to the Auditor of State for usage of the Uniform Accounting Network (UAN) during the audit period, but was not using the system. The Village should begin using the UAN system to help clear up the common errors noted when using a manual system, since they are already paying for it.
- b. The cashbook does not agree to the receipts and appropriation ledgers. All items were posted to the cashbook, but did not get posted to the receipts and appropriation ledgers. Individual fund balances were not carried in the cashbook, just receipts and disbursement totals by month. Fund balances should be carried throughout the cashbook and used in the monthly reconciliations.
- c. The annual financial report includes mathematical inconsistencies. The individual fund worksheets do not tie to the appropriation or receipts ledger, and the individual fund worksheets do not agree to the combining or combined statements in the financial report.

To maintain continuing accountability and to strengthen internal accounting controls, officials should periodically review the records to determine accuracy and to assure themselves that proper procedures are followed by the fiscal officer. For each regular Council meeting, the Clerk should provide Council members with detailed budget and actual financial statements, cash balances, checks paid, outstanding encumbrances, and bank reconciliations. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer.

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**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDING
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30414-001	ORC 5705.41(D) requires disbursements to be encumbered.	No	Not Corrected. Reissued as finding number 2002-30414-001.
2000-30414-002	ORC 733.28 and OAC 117-02 require the village to keep accurate and complete books.	No	Not Corrected. Reissued as finding number 2002-30414-002.
2000-30414-003	ORC 5705.09(F) requires the village to establish a special fund for each source other than General Property taxes.	Yes	
2000-30414-004	ORC 9.38 requires timely deposit of receipts	No	Not Corrected. Reissued as finding number 2002-30414-003.
2000-30414-005	ORC 5705.36 requires the clerk to budget estimated receipts	No	Partially Corrected. Management Letter Recommendation #3.
2000-30414-006	Segregation of duties	No	Not Corrected. Reissued as finding number 2002-30414-005.
2000-30414-007	Fifteen Day Rule	Yes	No longer valid



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JUNE 3, 2003**