



**Auditor of State  
Betty Montgomery**



VILLAGE OF CLARINGTON  
MONROE COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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, 2003 and 2002. 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As described 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, 2003 and 2002, 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 June 30, 2004, 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 the audit committee, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 30, 2004

**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, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$11,496	\$	\$11,496
Intergovernmental Receipts	13,941	25,850	39,791
Charges for Services	2,000	6,772	8,772
Fines, Licenses, and Permits	979		979
Earnings on Investments	1,139	27	1,166
Miscellaneous	741		741
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	30,296	32,649	62,945
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	4,431		4,431
Public Health Services	1,364	5,164	6,528
Leisure Time Activities	1,031		1,031
Basic Utility Services	3,024		3,024
Transportation	2,000	14,291	16,291
General Government	23,369		23,369
Debt Service:			
Principal Payments	1,699	3,464	5,163
Interest Payments		218	218
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	36,918	23,137	60,055
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	(6,622)	9,512	2,890
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In	3,000	3,313	6,313
Transfers-Out		(5,000)	(5,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	3,000	(1,687)	1,313
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	(3,622)	7,825	4,203
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	17,325	14,518	31,843
<b>Fund Cash Balances, December 31</b>	<hr/>	<hr/>	<hr/>
	<b>\$13,703</b>	<b>\$22,343</b>	<b>\$36,046</b>

*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, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$174,090	\$1,815	\$175,905
Earnings on Investments		1,375	1,375
<b>Total Operating Cash Receipts</b>	<u>174,090</u>	<u>3,190</u>	<u>177,280</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	38,135		38,135
Fringe Benefits	8,720		8,720
Contractual Services	52,135		52,135
Supplies and Materials	7,864		7,864
Other	344		344
Capital Outlay	25,121		25,121
<b>Total Operating Cash Disbursements</b>	<u>132,319</u>	<u>0</u>	<u>132,319</u>
Operating Income	<u>41,771</u>	<u>3,190</u>	<u>44,961</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	66,970		66,970
Earnings on Investments	254		254
Other Debt Proceeds	14,547		14,547
<b>Total Non-Operating Cash Receipts</b>	<u>81,771</u>	<u>0</u>	<u>81,771</u>
<b>Non-Operating Cash Disbursements:</b>			
Redemption of Principal	27,249		27,249
Interest and Other Fiscal Charges	42,130		42,130
<b>Total Non-Operating Cash Disbursements</b>	<u>69,379</u>	<u>0</u>	<u>69,379</u>
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers	54,163	3,190	57,353
Transfers-Out		(1,313)	(1,313)
Net Cash Receipts Over/(Under) Cash Disbursements	54,163	1,877	56,040
Fund Cash Balances, January 1	69,770	81,414	151,184
<b>Fund Cash Balances, December 31</b>	<u><b>\$123,933</b></u>	<u><b>\$83,291</b></u>	<u><b>\$207,224</b></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 GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$11,648	\$	\$11,648
Intergovernmental Receipts	15,669	13,105	28,774
Charges for Services	2,000	3,605	5,605
Fines, Licenses, and Permits	851		851
Earnings on Investments	9,718	51	9,769
Miscellaneous	1,700	225	1,925
	<u>41,586</u>	<u>16,986</u>	<u>58,572</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	4,431		4,431
Public Health Services	1,290	3,538	4,828
Leisure Time Activities	1,850		1,850
Basic Utility Services	3,354		3,354
Transportation	500	13,651	14,151
General Government	23,258		23,258
Debt Service:			
Principal Payments	1,699	1,699	3,398
Capital Outlay	6,966	5,144	12,110
	<u>43,348</u>	<u>24,032</u>	<u>67,380</u>
<b>Total Cash Disbursements</b>			
Total Cash Receipts Over/(Under) Cash Disbursement	<u>(1,762)</u>	<u>(7,046)</u>	<u>(8,808)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Sale of Notes	3,966	2,644	6,610
Transfers-In		9,773	9,773
Transfers-Out	(26)	(14)	(40)
	<u>3,940</u>	<u>12,403</u>	<u>16,343</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	2,178	5,357	7,535
Fund Cash Balances, January 1	<u>15,147</u>	<u>9,161</u>	<u>24,308</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$17,325</u></b>	<b><u>\$14,518</u></b>	<b><u>\$31,843</u></b>

*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, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$169,496	\$1,800	\$171,296
Earnings on Investments		3,711	3,711
Total Operating Cash Receipts	<u>169,496</u>	<u>5,511</u>	<u>175,007</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	36,031	1,008	37,039
Fringe Benefits	6,780	73	6,853
Contractual Services	26,767	11	26,778
Supplies and Materials	8,144	389	8,533
Other	845		845
Capital Outlay	406,471		406,471
Total Operating Cash Disbursements	<u>485,038</u>	<u>1,481</u>	<u>486,519</u>
Operating Income/(Loss)	<u>(315,542)</u>	<u>4,030</u>	<u>(311,512)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	325,031		325,031
Earnings on Investments	781		781
Sale of Notes	6,611		6,611
Other Debt Proceeds	64,373		64,373
Total Non-Operating Cash Receipts	<u>396,796</u>	<u>0</u>	<u>396,796</u>
<b>Non-Operating Cash Disbursements:</b>			
Redemption of Principal	23,257		23,257
Interest and Other Fiscal Charges	44,033		44,033
Total Non-Operating Cash Disbursements	<u>67,290</u>	<u>0</u>	<u>67,290</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	13,964	4,030	17,994
Transfers-In	26	14	40
Transfers-Out		(9,773)	(9,773)
Net Cash Receipts Over/(Under) Cash Disbursements	13,990	(5,729)	8,261
Fund Cash Balances, January 1	<u>55,780</u>	<u>87,143</u>	<u>142,923</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$69,770</u></b>	<b><u>\$81,414</u></b>	<b><u>\$151,184</u></b>

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

**VILLAGE OF CLARINGTON  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**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, cemetery maintenance, 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 reported as assets. 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 Savings Bonds 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, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

*Cemetery Fund* - This fund receives charges for services from grave fees and cemetery lot sales for the operation and maintenance of the Village cemetery.

**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.

*Water Contingency Fund* - This fund receives federal and state grants and loan proceeds to finance a water system replacement project. The loans will be repaid from utility revenues.

**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 and charges for services from cemetery lot sales for the 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, 2003 AND 2002  
(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 2003 and 2002 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:

	2003	2002
Demand deposits	\$150,161	\$90,141
Certificates of deposit	92,109	91,886
Total deposits	242,270	182,027
U.S. Treasury Savings Bonds	1,000	1,000
Total deposits and investments	\$243,270	\$183,027

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

**Investments:** U.S. Treasury Savings Bonds are held in book-entry form by the Federal Reserve, in the name of the Village.

**VILLAGE OF CLARINGTON  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002, follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,709	\$33,296	(\$413)
Special Revenue	23,841	35,962	12,121
Enterprise	212,720	255,861	43,141
Fiduciary	0	3,190	3,190
Total	\$270,270	\$328,309	\$58,039

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,361	\$36,918	\$2,443
Special Revenue	30,431	28,137	2,294
Enterprise	218,628	201,698	16,930
Fiduciary	0	1,313	(1,313)
Total	\$288,420	\$268,066	\$20,354

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$42,448	\$45,552	\$3,104
Special Revenue	27,805	29,403	1,598
Enterprise	622,258	566,318	(55,940)
Fiduciary	0	5,525	5,525
Total	\$692,511	\$646,798	(\$45,713)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$55,114	\$43,374	\$11,740
Special Revenue	34,199	24,046	10,153
Enterprise	537,347	552,328	(14,981)
Fiduciary	1,410	11,254	(9,844)
Total	\$628,070	\$631,002	(\$2,932)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Construction, Maintenance and Repair, Water Contingency, and Cemetery Endowment Funds for the year ended December 31, 2003 and in the Water Contingency, Sewer Debt, and Cemetery Endowment Funds for the year ended December 31, 2002.

**VILLAGE OF CLARINGTON  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**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, 2003, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$553,490	6.16%-7.45%
Ohio Public Works Commission Loans	137,474	0%-2%
General Obligation Note	7,593	5.00%
Total	<u>\$698,557</u>	

The Ohio Water Development Authority (OWDA) loans relate to sewer plant expansion projects that were mandated by the Ohio Environmental Protection Agency. The loans will be repaid in semiannual installments over 25 years. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loans relate to street resurfacing, bridge replacement and water system replacement projects. The loans will be repaid in semiannual installments over 20 years. The loans relating to street resurfacing and bridge replacement are collateralized by the Village's taxing authority. The loan relating to the water system replacement project is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The General Obligation Note relates to the purchase of a tractor. The note is collateralized by the Village's taxing authority.

**VILLAGE OF CLARINGTON  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**5. DEBT (Continued)**

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

Year ending December 31:	OWDA Loans	OPWC Loans	General Obligation Note
2004	\$62,395	\$10,253	\$4,758
2005	62,496	9,248	3,172
2006	62,606	9,248	
2007	62,722	9,248	
2008	62,849	9,248	
2009 – 2013	316,482	46,238	
2014 – 2018	256,617	34,275	
2019 – 2023		34,275	
Total	\$886,167	\$162,033	\$7,930

**6. RETIREMENT SYSTEMS**

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 2003 and 2002, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

The Village's elected officials contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2003 and 2002, employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

**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.

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

**8. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, 2003 and 2002, and have issued our report thereon dated June 30, 2004, wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to the Village's management in a separate letter dated June 30, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting 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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

**Betty Montgomery**  
Auditor of State

June 30, 2004

**VILLAGE OF CLARINGTON  
MONROE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been properly appropriated.

Expenditures exceeded appropriations within the following funds and by the following amounts:

As of December 31, 2003:

Fund	Appropriations	Expenditures	Variance
Street Construction, Maintenance and Repair	\$14,107	\$15,307	(\$1,200)
Water Contingency	50,626	51,627	(1,001)
Cemetery Endowment	0	1,313	(1,313)

As of December 31, 2002:

Fund	Appropriations	Expenditures	Variance
Water Contingency	\$360,000	\$391,362	(\$31,362)
Sewer Debt	64,756	64,790	(34)
Cemetery Endowment	1,410	11,254	(9,844)

We recommend Village Council monitor all fund expenditures to ensure they remain within their respective appropriations. We further recommend the Village Clerk/Treasurer deny payment requests exceeding appropriations. The Village Clerk/Treasurer may request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**VILLAGE OF CLARINGTON  
MONROE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-31056-001	Ohio Rev. Code Section 5705.41(D) for no prior certification of available funds prior to incurring obligations.	No	Partially Corrected; the noncompliance citation is repeated in the management letter.



**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 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  
AUGUST 26, 2004**