



**Auditor of State
Betty Montgomery**

VILLAGE OF CLARKSVILLE
CLINTON COUNTY

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**Auditor of State
Betty Montgomery**

Village of Clarksville
Clinton County
130 Springhill Rd.
Clarksville, Ohio 45113

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 6, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Clarksville
Clinton County
130 Springhill Rd.
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, 2004 and 2003. 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.

The Village did not provide sufficient documentation supporting the Enterprise Funds Charges for Services receipts for 2004 and 2003. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts recorded in the Enterprise Fund, or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. Charges for Services represent 99% of the Enterprise Fund receipts.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its 2004 financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary fund for the years then ended.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine certain information regarding the Enterprise Fund charges for services receipts, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

December 6, 2005

**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, 2004**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$12,354	\$3,484	\$15,838
Special Assessments	0	6,947	6,947
Intergovernmental Receipts	19,033	29,291	48,324
Earnings on Investments	24	0	24
Miscellaneous	3,096	115	3,211
Total Cash Receipts	34,507	39,837	74,344
Cash Disbursements:			
Current:			
Security of Persons and Property	6,600	6,752	13,352
Transportation	0	10,539	10,539
General Government	32,343	7	32,350
Capital Outlay	0	48,821	48,821
Total Cash Disbursements	38,943	66,119	105,062
Total Receipts Under Disbursements	(4,436)	(26,282)	(30,718)
Other Financing Receipts and (Disbursements):			
Sale of Bonds or Notes	0	48,821	48,821
Advances-In	6,000	0	6,000
Advances-Out	(3,000)	0	(3,000)
Total Other Financing Receipts/(Disbursements)	3,000	48,821	51,821
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,436)	22,539	21,103
Fund Cash Balances, January 1	3,637	73,063	76,700
Fund Cash Balances, December 31	\$2,201	\$95,602	\$97,803
Reserves for Encumbrances, December 31	\$1,675	\$0	\$1,675

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 PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$284,092
Miscellaneous	1,638
Total Operating Cash Receipts	285,730
Operating Cash Disbursements:	
Personal Services	20,603
Fringe Benefits	2,982
Contractual Services	149,314
Supplies and Materials	4,353
Miscellaneous	726
Total Operating Cash Disbursements	177,978
Operating Income	107,752
Non-Operating Cash Disbursements:	
Redemption of Principal	79,914
Interest and Other Fiscal Charges	15,333
Total Non-Operating Cash Disbursements	95,247
Excess of Receipts Over Disbursements Before Advances	12,505
Advances-In	3,000
Advances-Out	(6,000)
Net Receipts Over Disbursements	9,505
Fund Cash Balances, January 1	5,512
Fund Cash Balances, December 31	\$15,017
Reserve for Encumbrances, December 31	\$9,774

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, 2003**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$11,255	\$3,979	\$15,234
Special Assessments	0	7,365	7,365
Intergovernmental Receipts	19,149	39,452	58,601
Charges for Services	0	94,000	94,000
Fines, Licenses, and Permits	0	5,210	5,210
Miscellaneous	2,673	1,831	4,504
Total Cash Receipts	33,077	151,837	184,914
Cash Disbursements:			
Current:			
Security of Persons and Property	7,200	141,370	148,570
Transportation	0	45,713	45,713
General Government	26,349	7	26,356
Debt Service:			
Principal Payments	0	16,072	16,072
Interest Payments	0	2,072	2,072
Capital Outlay		234,954	234,954
Total Cash Disbursements	33,549	440,188	473,737
Total Receipts Under Disbursements	(472)	(288,351)	(288,823)
Other Financing Receipts and (Disbursements):			
Sale of Bonds or Notes	0	234,954	234,954
Advances-In	20,000	0	20,000
Transfers-Out	(11,000)	0	(11,000)
Advances-Out	(13,000)	0	(13,000)
Total Other Financing Receipts/(Disbursements)	(4,000)	234,954	230,954
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(4,472)	(53,397)	(57,869)
Fund Cash Balances, January 1	8,109	126,460	134,569
Fund Cash Balances, December 31	\$3,637	\$73,063	\$76,700
Reserves for Encumbrances, December 31	\$2,206	\$55	\$2,261

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, 2003**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$257,766
Miscellaneous	2,330
	<u>260,096</u>
Total Operating Cash Receipts	<u>260,096</u>
Operating Cash Disbursements:	
Personal Services	28,763
Contractual Services	155,260
Supplies and Materials	651
Capital Outlay	2,968
	<u>187,642</u>
Total Operating Cash Disbursements	<u>187,642</u>
Operating Income	<u>72,454</u>
Non-Operating Cash Disbursements:	
Redemption of Principal	79,137
Interest and Other Fiscal Charges	16,110
	<u>95,247</u>
Total Non-Operating Cash Disbursements	<u>95,247</u>
Receipts Under Disbursements Before Interfund Transfers and Advances	(22,793)
Transfers-In	11,000
Advances-In	13,000
Advances-Out	(20,000)
	<u>(18,793)</u>
Net Receipts (Under) Disbursements	<u>(18,793)</u>
Fund Cash Balances, January 1	<u>24,305</u>
Fund Cash Balances, December 31	<u><u>\$5,512</u></u>
Reserve for Encumbrances, December 31	<u><u>\$5,626</u></u>

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, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Clarksville, Clinton County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, road maintenance, and police services. The Village contracts with the Clinton County Sheriff's department to provide security of persons and property. During 2003, the Village had an emergency and fire levy contract with the Village of Clarksville Volunteer Fire Department to receive fire protection services. In September 2003, the Village entered into an agreement to establish a joint fire district with three townships.

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

Jointly Governed Organization

The Clinton - Warren Joint Fire District, a jointly governed organization, which provides fire protection and rescue services to the Village of Clarksville, Adams Township, Vernon Township and Washington Township (Warren County). Each of the four political subdivisions appoints one member of the four member board of trustees. The Board owns and operates assets in its own name. The Board has authority to levy taxes and approve its own budget. Funding for operations comes from the participants in the District, charges for services and a tax levy.

B. Basis of Accounting

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

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Deposits

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 reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds 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.

Permissive Motor Vehicle Fund - This fund receives 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 to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

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

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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. Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	2004	2003
Demand deposits	\$112,820	\$82,212

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,000	\$34,507	(\$1,493)
Special Revenue	36,456	88,658	52,202
Enterprise	304,000	285,730	(18,270)
Total	\$376,456	\$408,895	\$32,439

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,305	\$40,618	\$5,687
Special Revenue	62,145	66,119	(3,974)
Enterprise	289,517	282,999	6,518
Total	\$397,967	\$389,736	\$8,231

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,244	\$33,077	\$2,833
Special Revenue	130,062	386,791	256,729
Enterprise	266,990	271,096	4,106
Total	\$427,296	\$690,964	\$263,668

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,460	\$46,755	(\$295)
Special Revenue	214,880	440,243	(225,363)
Enterprise	275,165	288,515	(13,350)
Total	\$536,505	\$775,513	(\$239,008)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Construction fund by \$18,860 for the year ended December 31, 2004. During 2003, the Fire Levy Fund had budgetary expenditures that exceeded appropriations by \$250,013. Also, contrary to Ohio law, during the months February through June 2003, the Water fund had cash deficit balances.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
OWDA # 3289	\$624,817	2.20%
OWDA # EV0428	16,876	0%
OPWC #CJ04C	693,253	0%
Note - Dump truck	48,821	4.04
Total	\$1,383,767	

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT

The Ohio Water Development Authority (OWDA) loan #3289 relates to the wastewater treatment plant project. The OWDA approved up to \$825,557 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$25,623 including interest, over 20 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 OWDA loan # EV0423 was issued in 1993 relating to the water works improvements. The loan was secured by the water fund customer charges for services.

The Ohio Public Works (OPWC) loan #CJ04C relates to waste water treatment and collection system improvements. The OPWC loans will be repaid in semiannual installments of \$21,007, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

During November 2004, the Village signed a lease/purchase agreement for \$48,821 with Farmer's Bank and Trust to finance the purchase of a 2005 GMC dump truck to be used for the Village's street and water department. The loan is to be repaid at 4.04% interest over five years with final loan payment in December 2009. Yearly payments of \$10,977 are being made from the Water, Sewer and Street Funds. The note is unsecured and uncollateralized.

In May 2003, the Village entered into an agreement with Summit Fire Apparatus to purchase a pumper truck for the fire department in the amount of \$244,954. The Village received loan proceeds in the amount of \$234,954 and made a down payment of \$10,000. In September 2003, the Village and three townships joined together to establish the Clinton Warren Joint Fire and Rescue Department (CWJFD). The CWJFD refinanced the loan for the purchase of the pumper truck and the Village is no longer obligated for the debt.

A 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. The CWJFD assumed the balance of the squad loan during 2003.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loan # 3289	OWDA Loan #EV0248	OPWC Loan #CJ04C	Dump Truck
2005	\$51,246	\$1,986	\$42,014	\$10,977
2006	51,246	1,986	42,014	10,977
2007	51,246	1,986	42,014	10,977
2008	51,246	1,986	42,014	10,977
2009	51,246	1,986	42,014	10,977
2010-2014	256,230	6,945	210,080	0
2015-2019	256,230	0	210,080	0
2020-2022	25,623	0	63,026	0
Total	<u>\$794,313</u>	<u>\$16,875</u>	<u>\$693,256</u>	<u>\$54,885</u>

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. RETIREMENT SYSTEMS

The Village's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

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.

8. MATERIAL NONCOMPLIANCE

The Village failed to maintain records of the Village as required by Ohio Revised Code, Section 149.351.

The Village failed to accurately maintain the Village's books as required by the Ohio Revised Code, Section 733.28.

The Village did not properly receipt monies into the established funds and the Village had negative fund cash balances in the water fund, contrary to Ohio Revised Code, Sections 5705.09 and 5705.10.

The Village did not establish adequate utility rates contrary to Ohio Revised Code, Section 743.18.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Clarksville
Clinton County
130 Springhill Rd.
Clarksville, Ohio 45113

To the Village Council:

We have audited the financial statements of the Village of Clarksville, Clinton County, Ohio (the Village), as of and for the year ended December 31, 2004 and 2003, and have issued our report thereon dated December 6, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We qualified our report because the Village did not provide sufficient documentation over the charges for services as recorded in the Enterprise Fund. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. Except as discussed in the preceding sentences, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine 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 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 County's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 through 2004-007.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider reportable conditions 2004-001 through 2004-004 listed above to be material weaknesses. In a separate letter to the Village's management dated December 6, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-005.

We intend this report solely for the information and use of the management and the Village Council. It is not intended for 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

December 6, 2005

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

NonCompliance Citation/Material Weakness

Ohio Rev. Code, Section 149.351 (A), provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code. During the Audit Period, the Village did not provide complete documentation of the following items:

- Adequate utility receipt records;
- Billing stubs for all utility payments;
- Meter readings for July-Sept 2003 and January-June 2004;
- Delinquent, disconnect, and adjustment reports.

We were unable to audit the utility receipts to ensure the accountability over the applicable receipts. Utility records were either lost or destroyed and not presented for audit. We recommend the Village develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location such as locked cabinets or in a locked office, with access limited to specific officials and or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

FINDING NUMBER 2004-002

Noncompliance Citation/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 therefrom, and of all taxes and assessments. The Village's fiscal officer did not maintain an accurate receipt ledger or appropriation ledger. All the receipts from the cash journal were not recorded in the receipts ledger. Total receipts, from the receipt ledger, and total disbursements, from the appropriation ledger were not completed. Estimated receipts and appropriations were not always properly recorded in the receipt ledger and 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:

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.

**FINDING NUMBER 2004-002
(Continued)**

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 2004-003

Noncompliance/Material Weakness

Ohio Rev. Code, Section 5705.09(F), provides that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Ohio Rev. Code, Section 5705.10, provides that monies paid into any fund shall be used only for the purposes for which such fund is established. It also provides that revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Village had a deficit cash balance February through June of 2003 in the Water Fund. A deficit cash balance indicates that money from another fund(s) has been used to pay the obligations of the aforementioned fund. We recommend the Village adopt procedures to properly monitor fund balances.

Also, the Village did not properly record Intergovernmental monies, Homestead/Rollback monies, Motor Vehicle License Tax monies, Gas Tax receipts, Proceeds of Notes, and Fines, Licenses and Permits in the appropriate funds. Audit adjustments and reclassifications have been posted to the Village's financial records and are reflected in the accompanying financial statements to properly reflect receipts and disbursements of the Village.

FINDING NUMBER 2004-004

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 5705.41 (B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. During 2003, the Fire Levy Fund's expenditures of \$387,993 exceeded appropriations of \$137,980 by \$250,013 and the Water Fund's expenditures of \$117,211 exceeded appropriations of \$110,410 by \$6,801. During 2004, the Street Construction Fund's expenditures of \$59,360 exceeded appropriations of \$40,500 by \$18,860. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if estimated resources are available.

FINDING NUMBER 2004-005

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

FINDING NUMBER 2004-005
(Continued)

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation

The availability of funds was not certified in 30% of the Village's expenditures tested, and the exceptions mentioned above did not apply. 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's funds and negative cash fund balances.

FINDING NUMBER 2004-006

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 did not utilize the system until 2004.

**FINDING NUMBER 2004-006
(Continued)**

- b. The 2003 cashbook did 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 included mathematical inconsistencies. The individual fund worksheets did not tie to the appropriation or receipts ledger, and the individual fund worksheets did not agree to the combining or combined statements in the financial report.
- d. The Clerk prepares the monthly bank reconciliation but no officials review it to determine the accuracy of it.

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.

FINDING NUMBER 2004-007

Reportable Condition

Council minutes were not completely maintained as resolutions were not sequentially numbered, indexed, or properly headed; each topic, motion, or resolution was not properly subheaded; and all annual financial data, transfer amounts, wage listing for new hires, required reports, etc., were not made a permanent part of the minute records. These weaknesses made the minute records incomplete and they did not properly reflect the actions of council.

As the Council speaks only through its record of proceedings (minutes), the following recommendations were made to ensure that the minutes properly reflect procedures and the actions of the council.

1. All resolutions should be sequentially numbered and made a part of a permanent record of proceedings.
2. All council actions should be indexed under proper headings to provide easy access to all Village resolutions.
3. Each topic, resolution, motion, etc. should be subheaded or identified either in the margin or at the head of each paragraph for easier reading and referencing.
4. The annual financial data, including budgets, appropriation modifications, transfer amounts, wage listings, required reports, and any advertisements for the same, should be reflected as a permanent part of the minute records.

Implementation of these procedures would aid in ensuring that the minute record would be an accurate reflection of the council's actions and would assist in locating specific actions of the council.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-30414-001	ORC 5705.41(D) requires the Village to certify availability of funds.	No	Reissued as finding number 2004-005.
2002-30414-002	ORC 733.28 requires the Village to keep accurate and complete books.	No	Reissued as finding number 2004-002.
2002-30414-003	ORC 93.8 requires the Village to deposit on a timely basis.	N/A	Utility receipts were not provided for audit.
2002-30414-004	Ohio Rev. Code, Section 5705.41(B), expenditures exceeded appropriations.	No	Reissued as finding number 2004-004
2002-30414-005	Inadequate segregation of duties.	No	Reissued as finding number 2004-006.



**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
DECEMBER 30, 2005**