



Mary Taylor, CPA  
Auditor of State



VILLAGE OF CLARKSVILLE  
CLINTON COUNTY

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Mary Taylor, CPA  
Auditor of State

Village of Clarksville  
Clinton County  
205 West Main Street  
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 an 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 adverse 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

December 10, 2009

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Clarksville  
Clinton County  
205 West Main Street  
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, 2008 and 2007. 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 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 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2008 and 2007 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, 2008 and 2007, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Clarksville, Clinton County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 10, 2009, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

December 10, 2009



**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, 2008**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$16,048	\$2,456	\$18,504
Intergovernmental	18,951	24,742	43,693
Special Assessments		9,755	9,755
Charges for Services	3,600		3,600
Earnings on Investments	37	1	38
 Total Cash Receipts	 38,636	 36,954	 75,590
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property		15,395	15,395
Public Health Services	7,200		7,200
Transportation		14,568	14,568
General Government	31,399		31,399
Debt Service:			
Redemption of Principal		10,176	10,176
Interest and Fiscal Charges		801	801
 Total Cash Disbursements	 38,599	 40,940	 79,539
 Total Receipts Over/(Under) Disbursements	 37	 (3,986)	 (3,949)
<b>Other Financing Receipts / (Disbursements):</b>			
Advances-In		1,325	1,325
Advances-Out	(1,325)		(1,325)
 Total Other Financing Receipts / (Disbursements)	 (1,325)	 1,325	 0
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 (1,288)	 (2,661)	 (3,949)
 Fund Cash Balances, January 1	 9,979	 81,814	 91,793
 <b>Fund Cash Balances, December 31</b>	 <b>\$8,691</b>	 <b>\$79,153</b>	 <b>\$87,844</b>
 Reserve for Encumbrances, December 31	 \$0	 \$0	 \$0

*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 ENTERPRISE FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008

<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$291,571</u>
Total Operating Cash Receipts	<u>291,571</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	23,590
Employee Fringe Benefits	3,575
Contractual Services	159,091
Supplies and Materials	13,091
Other	<u>1,017</u>
Total Operating Cash Disbursements	<u>200,364</u>
Operating Income	<u>91,207</u>
<b>Non-Operating Cash Receipts:</b>	
Proceeds of Lease	<u>70,923</u>
Total Non-Operating Cash Receipts	<u>70,923</u>
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	70,923
Redemption of Principal	96,039
Interest and Other Fiscal Charges	<u>15,580</u>
Total Non-Operating Cash Disbursements	<u>182,542</u>
Net Receipts (Under) Disbursements	(20,412)
Fund Cash Balances, January 1	<u>81,224</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$60,812</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$6,237</u></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, 2007**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$15,932	\$12,797	\$28,729
Intergovernmental	18,908	25,722	44,630
Special Assessments		8,875	8,875
Charges for Services	3,600		3,600
Earnings on Investments	2,112	64	2,176
Miscellaneous	228	27	255
Total Cash Receipts	40,780	47,485	88,265
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property		6,940	6,940
Public Health Services	7,326		7,326
Transportation		37,175	37,175
General Government	32,062		32,062
Debt Service:			
Redemption of Principal		9,781	9,781
Interest and Fiscal Charges		1,196	1,196
Total Cash Disbursements	39,388	55,092	94,480
Total Receipts Over/(Under) Disbursements	1,392	(7,607)	(6,215)
Fund Cash Balances, January 1	8,587	89,421	98,008
<b>Fund Cash Balances, December 31</b>	<b>\$9,979</b>	<b>\$81,814</b>	<b>\$91,793</b>
Reserve for Encumbrances, December 31	\$0	\$0	\$0

*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 ENTERPRISE FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$296,087</u>
Total Operating Cash Receipts	<u>296,087</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	24,005
Employee Fringe Benefits	3,712
Contractual Services	177,964
Supplies and Materials	7,358
Other	<u>1,370</u>
Total Operating Cash Disbursements	<u>214,409</u>
Operating Income	<u>81,678</u>
<b>Non-Operating Cash Receipts:</b>	
Miscellaneous Receipts	<u>30</u>
Total Non-Operating Cash Receipts	<u>30</u>
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	82,350
Interest and Other Fiscal Charges	<u>12,896</u>
Total Non-Operating Cash Disbursements	<u>95,246</u>
Net Receipts (Under) Disbursements	(13,538)
Fund Cash Balances, January 1	<u>94,762</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$81,224</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$0</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, 2008 AND 2007**

**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 directs 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.

The Village participates in the following jointly governed organization.

The Clinton-Warren Joint Fire District is 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 tax levy.

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

**B. Accounting Basis**

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. The Village 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**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 deposits 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, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose 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.

**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. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. 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, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

A summary of 2008 and 2007 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 for all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2008	2007
Demand deposits	148,656	173,017

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,012	\$38,636	(\$376)
Special Revenue	47,325	36,954	(10,371)
Enterprise	293,006	362,494	69,488
Total	\$379,343	\$438,084	\$58,741

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$45,008	\$38,599	\$6,409
Special Revenue	61,720	40,940	20,780
Enterprise	319,967	389,143	(69,176)
Total	\$426,695	\$468,682	(\$41,987)

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Budgetary Activity (Continued)**

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,600	\$40,780	\$3,180
Special Revenue	39,308	47,485	8,177
Enterprise	288,375	296,117	7,742
Total	\$365,283	\$384,382	\$19,099

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,425	\$39,388	\$5,037
Special Revenue	69,300	55,092	14,208
Enterprise	311,334	309,655	1,679
Total	\$425,059	\$404,135	\$20,924

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water Fund by \$64,750 and in the Sewer Fund by \$4,547 for the year ended December 31, 2008. Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Permissive Tax Fund by \$350 and in the Sewer Fund by \$12,943 for the year ended December 31, 2007.

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.



**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA #3289	\$473,042	2%
OWDA #EVO428	8,934	0%
OPWC #CJO4C	525,192	0%
Lease Meter Reading Equipment	58,083	5%
Lease Dump Truck	<u>10,587</u>	4.04%
Total	<u><u>\$1,075,838</u></u>	

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 #EV0428 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 the 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.

During September, 2007, the Village entered a lease/purchase agreement for \$70,923 with Old National Bank to finance the purchase of Master Equipment for meter reading to be used by the Village's utility department. The loan is to be repaid at 5% interest over five years with the final loan payment in September 2012. Yearly payments of \$16,372 are being made from the Water Fund.

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

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. Debt (Continued)**

Year End Dec. 31	OWDA #3289	OWDA #EVO248	OPWC #CJO4C	Dump Truck	Meter Reading Equip.
2009	\$51,246	\$1,985	\$42,014	\$10,977	\$16,372
2010	51,246	1,985	42,014		16,372
2011	51,246	1,985	42,014		16,372
2012	51,246	1,985	42,014		16,372
2013	51,246	994	42,014		
2014-2018	256,230		210,070		
2019-2021	76,869		105,054		
Total	<u>\$589,329</u>	<u>\$8,934</u>	<u>\$525,194</u>	<u>\$10,977</u>	<u>\$65,488</u>

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

**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. Non-Compliance**

Contrary to Ohio law, the Village:

- did not provide accurate statements of monies received and disbursed.
- did not deposit certain receipts within the time required by Ohio law.



# Mary Taylor, CPA

## Auditor of State

### 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  
205 West Main Street  
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 years ended December 31, 2008 and 2007, and have issued our report thereon dated December 10, 2009, 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 also noted 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. 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 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-001 and 2008-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above, finding number 2008-001 is also a material weakness.

We noted a certain matter that we reported to the Village's management in a separate letter dated December 10, 2009.

#### **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 we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2008-001 through 2008-004.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 10, 2009.

We intend this report solely for the information and use of the management and Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 10, 2009

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Material Noncompliance/Material Weakness**

**Ohio Rev. Code, Section 733.28**, states, in part, that the Village Clerk shall 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 income derived therefrom.

In addition, the Ohio Admin Code Section 117-2-02 (A) states “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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.” We noted the following deficiencies in the Village’s records:

The Village did not maintain an accurate record of all moneys received. The accounting records of the Village contained posting errors, and lacked correct classifications of receipts and expenditures. As a result, those records which were maintained by the Fiscal Officer were not an accurate reflection of all monies received and expended. All of these conditions exhibit a lack of control over the recording and reporting of Village financial activity and did result in inaccurate and untimely accounting records.

We proposed appropriate adjusting entries.

The following receipt amounts were posted erroneously to the Village’s accounting system:

<b>2008</b>	<b>Amount</b>
General Fund: Overstatement of Taxes	(\$407)
General Fund: Understatement of Intergovernmental	1,678
State Highway Fund: Overstatement of Taxes	(442)
State Highway Fund: Understatement of Intergovernmental	402
Street Fund: Overstatement of Taxes	(5,457)
Street Fund: Understatement of Intergovernmental	4,954
Water Fund: Understatement of Proceeds of Lease	70,923

<b>2007</b>	<b>Amount</b>
General Fund: Overstatement of Taxes	(\$730)
General Fund: Understatement of Intergovernmental	1,418
State Highway Fund: Overstatement of Taxes	(370)
State Highway Fund: Understatement of Intergovernmental	350
Street Fund: Overstatement of Taxes	(4,559)
Street Fund: Understatement of Intergovernmental	4,313
Permissive MVL Fund: Overstatement of Taxes	(422)

**FINDING NUMBER 2008-001  
 (Continued)**

The following disbursement amounts were posted erroneously to the Village's accounting system:

<b>2008</b>	<b>Amount</b>
General Fund: Understatement of General Government	\$727
Street Fund: Overstatement of Interest and Fiscal	(10,176)
Street Fund: Understatement of Principal	10,176
Water Fund: Overstatement of Interest and Fiscal	(14,826)
Water Fund: Understatement of Principal	14,826
Sewer Fund: Overstatement of Interest and Fiscal	(81,213)
Sewer Fund: Understatement of Principal	81,213
Water Fund: Understatement of Capital Outlay	70,923

<b>2007</b>	<b>Amount</b>
Street Fund: Overstatement of Interest and Fiscal	(\$9,781)
Street Fund: Understatement of Principal	9,781
Water Fund: Overstatement of Interest and Fiscal	(1,985)
Water Fund: Understatement of Principal	1,985
Sewer Fund: Overstatement of Interest and Fiscal	(80,365)
Sewer Fund: Understatement of Principal	80,365

Failure to properly post transactions resulted in transactions being inaccurately classified in the annual report and inaccurate fund balances. The Village made the above adjustments to the financial statements and accounting records. We recommend that the Fiscal Officer post receipts and disbursements timely and accurately.

**FINDING NUMBER 2008-002**

**Material Noncompliance**

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

During our testing of utility receipts, we noted that 14 of 30 (46%) of utility receipts tested were not deposited timely. Not depositing timely increases the risk that errors, fraud or theft could occur and not be detected in a timely manner. Procedures should be in place to safeguard funds collected on behalf of the Village. We recommend that the Utility Supervisor work with the Fiscal Officer and Council to develop a system of internal controls to assure proper safeguarding of funds and timely depositing.

**FINDING NUMBER 2008-003**

**Material Noncompliance**

**Ohio Rev. Code, Section 5705.41(B)**, prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following funds had expenditures which exceeded appropriations.

Fund	Appropriations 2008	Expenditures 2008	Variance
Water Fund	\$145,733	\$210,483	(\$64,750)
Sewer Fund	143,434	147,981	(4,547)

Fund	Appropriations 2007	Expenditures 2007	Variance
Permissive Tax Fund	\$10,000	\$10,350	(\$350)
Sewer Fund	140,620	153,563	(12,943)

Failure to monitor budgetary activity could result in overspending and negative fund balances. The management of the Village should monitor the Village's budgetary receipts and expenditures by having the fiscal officer provide budgetary reports to be reviewed and approved by Council. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which affect the overall cash position of the Village.

**FINDING NUMBER 2008-004**

**Material Noncompliance/Significant Deficiency**

**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 encumbrance. Further contracts and orders for expenditures lacking prior certification shall be null and void.

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 or 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.

**FINDING NUMBER 2008-004  
(Continued)**

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. 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 Village did not properly certify the availability of funds for purchase commitments for 83% of expenditures tested, and none of the exceptions above applied. Additionally the Village did not maintain an outstanding encumbrance list. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Additionally, there were unrecorded encumbrances outstanding in the Water Fund, Trash Fund, and Sewer Fund, at December 31, 2008 in the amounts of \$1,020, \$2,147 and \$3,070 respectively. Audit adjustments have been posted to the financial statements to record these outstanding encumbrances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend the Village officials and employees obtain the Fiscal Officer’s certification of the availability of funds prior to the commitment being incurred. The most convenient method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. We also recommend that the Village establish a maximum amount for blanket certificates by resolution.

**Officials’ Response:**

We did not receive a response from Officials to the findings reported above.



**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

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>
2006-001	Village did not properly prior certify all expenditures.	No	Not corrected. Re-issued as finding 2008-004.
2006-002	Expenditures exceeded appropriations.	No	Not corrected. Re-issued as finding 2008-003.
2006-003	Village did not properly post all transactions.	No	Not corrected. Re-issued as finding 2008-001
2006-004	Village did not always deposit money timely.	No	Not corrected. Re-issued as finding 2008-002.
2006-005	Village did not fully utilize their utility department computer system.	Yes	





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF CLARKSVILLE**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 12, 2010**