

***VILLAGE OF CLARINGTON  
MONROE COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2009 & 2008***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

Village Council  
Village of Clarington  
P.O. Box 215  
Clarington, Ohio 43915-0215

We have reviewed the *Report of Independent Accountants* of the Village of Clarington, Monroe County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Clarington is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 28, 2012

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**VILLAGE OF CLARINGTON  
MONROE COUNTY  
For the Years Ending December 31, 2009 and 2008**

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***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Clarington  
Monroe County  
P.O Box 215  
Clarington, OH 43915-0215

To the Village Council:

We have audited the accompanying financial statements of the Village of Clarington, Monroe County (the Village), as of and for the years ended December 31, 2009 and 2008. 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. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements for the years ended December 31, 2009 and 2008 present receipts and disbursements by the fund and combined fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

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.

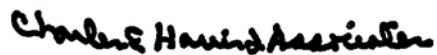
Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the 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 the second following paragraph.

In our opinion, because of the matters discussed in the previous three paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008, 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, 2009 and 2008, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, except for the omission of receipts and disbursements classifications, 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, 2009 and 2008, and its combined unclassified cash receipts and unclassified 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 2, 2011, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



*Charles E. Harris & Associates, Inc.*

December 2, 2011



VILLAGE OF CLARINGTON  
MONROE COUNTY  
Statement of Cash Receipts, Cash Disbursements, and  
Changes in Fund Cash Balances  
All Fund Types  
For the Year Ended December 31, 2009

	Balance 1/1/2009	Receipts	Disbursements	Balance 12/31/2009
General	\$ (10,038)	\$ 76,972	\$ 67,513	\$ (579)
Special Revenue:				
Street	4,896	18,240	18,386	4,750
State Highway	510	1,479	52	1,937
Cemetery Operating	7,735	11,991	4,550	15,176
Total Special Revenue	<u>13,141</u>	<u>31,710</u>	<u>22,988</u>	<u>21,863</u>
Permanent:				
Cemetery Endowment	90,059	-	-	90,059
Total Permanent	<u>90,059</u>	<u>-</u>	<u>-</u>	<u>90,059</u>
Enterprise Funds:				
Water Operating	104,414	186,584	121,764	169,234
Sewer Operating	26,757	77,963	94,718	10,002
Sykes Water Contingency	46,987	57	35,682	11,362
Sewer Replacement	15,418	16,887	32,305	-
Water/Sewer Deposits	2,444	455	77	2,822
Total Enterprise Funds	<u>196,020</u>	<u>281,946</u>	<u>284,546</u>	<u>193,420</u>
Total All Funds	<u>\$289,182</u>	<u>\$ 390,628</u>	<u>\$ 375,047</u>	<u>\$ 304,763</u>

See accompanying notes to the financial statements.

VILLAGE OF CLARINGTON  
MONROE COUNTY  
Statement of Cash Receipts, Cash Disbursements, and  
Changes in Fund Cash Balances  
All Fund Types  
For the Year Ended December 31, 2008

	Balance 1/1/2008	Receipts	Disbursements	Balance 12/31/2008
General	\$ (77,944)	\$ 116,481	\$ 48,575	\$ (10,038)
Special Revenue:				
Street	2,789	18,782	16,675	4,896
State Highway	987	1,523	2,000	510
Cemetery Operating	3,351	8,602	4,218	7,735
Water Assessment	445	-	445	-
Total Special Revenue	<u>7,572</u>	<u>28,907</u>	<u>23,338</u>	<u>13,141</u>
Permanent:				
Cemetery Endowment	90,059	-	-	90,059
Total Permanent	<u>90,059</u>	<u>-</u>	<u>-</u>	<u>90,059</u>
Enterprise Funds:				
Water Operating	58,402	175,020	129,008	104,414
Sewer Operating	44,610	68,466	86,319	26,757
Sykes Water Contingency	62,842	485,201	501,056	46,987
Sewer Replacement	31,360	16,737	32,679	15,418
Water/Sewer Deposits	1,944	500	-	2,444
Total Enterprise Funds	<u>199,158</u>	<u>745,924</u>	<u>749,062</u>	<u>196,020</u>
Total All Funds	<u>\$218,845</u>	<u>\$ 891,312</u>	<u>\$ 820,975</u>	<u>\$ 289,182</u>

See accompanying notes to the financial statements.

**VILLAGE OF CLARINGTON  
MONROE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

**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 for the purpose of exercising 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, park operations (leisure time activities). The Village contracts with the Monroe County Sheriff's department to provide security of persons and property.

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

**B. BASIS OF ACCOUNTING**

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

The Village did not classify its receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of the Ohio Administrative Code Section 117-2-02(A), which requires classifying receipts and disbursements.

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. CASH AND INVESTMENTS**

Certificates of deposit are valued at cost.

**D. FUND ACCOUNTING**

The Village uses fund accounting to segregate cash and investments that are restricted to use. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The Village classifies its funds into the following types:

**General Fund:** The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**VILLAGE OF CLARINGTON**  
**MONROE COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

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

**D. FUND ACCOUNTING** – (Continued)

**Special Revenue Funds:** These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures 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.
- **State Highway Fund:** This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village highways.
- **Cemetery Fund:** This fund receives fees for opening cemetery plots and maintaining the cemetery.

**Permanent Fund:** This fund is used to account for resources restricted by legally binding trust agreements which restrict the Village to use of only the interest earned:

- **Cemetery Bequest Fund** – Interest derived from the corpus of this fund is used for cemetery upkeep.

**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.
- **Sykes Water Contingency Fund:** This fund receives charges for services used for future contingencies.
- **Sewer Replacement Fund:** This fund receives charges or services from residents to cover future sewer replacements.

**E. BUDGETARY PROCESS**

The Ohio Revised Code requires that each fund (except agency funds) be budgeted annually.

- **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and

**VILLAGE OF CLARINGTON**  
**MONROE COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

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

**E. BUDGETARY PROCESS – (Continued)**

• **Appropriations – (Continued)**

subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end and are re-appropriated.

• **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. Appropriation may not exceed estimated resources.

• **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 re-appropriated in the subsequent year.

A summary of 2009 and 2008 budgetary activity appears in Note 4.

**F. PROPERTY, PLANT, AND EQUIPMENT**

Acquisitions of property, plant and equipment are recorded as capital outlay 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 investment 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:

**VILLAGE OF CLARINGTON  
MONROE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

**2. EQUITY IN POOLED CASH AND INVESTMENTS – (Continued)**

<b><u>Balance December 31,</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
Demand Deposits	\$ 125,703	\$177,211
Money Market	47,802	11,363
Certificates of Deposit	94,737	95,199
Savings	<u>19,940</u>	<u>19,990</u>
Total Deposits	<u>288,182</u>	<u>303,763</u>
U.S. Treasury Savings Bonds	<u>1,000</u>	<u>1,000</u>
Total Deposits and Investments	<u>\$ 289,182</u>	<u>\$ 304,763</u>

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

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

**3. PROPERTY TAXES**

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. Public utilities are also taxed on personal and real property located within the Village.

The Monroe County Treasurer collects property tax on behalf of all taxing Villages within the county. The Monroe County Auditor periodically remits to the taxing Village their portions of the taxes collected.

**VILLAGE OF CLARINGTON  
MONROE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

**4. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2009 follows:

**2009 Budgeted vs Actual Receipts**

<b><u>Fund Type</u></b>	<b><u>Budgeted Receipts</u></b>	<b><u>Actual Receipts</u></b>	<b><u>Variance</u></b>
General	\$ 8,667	\$ 76,972	\$ 68,305
Special Revenue	-	31,710	31,710
Permanent	-	-	-
Enterprise	-	281,946	281,946

**2009 Budgeted vs Actual Budgetary Basis Expenditures**

<b><u>Fund Type</u></b>	<b><u>Appropriation Authority</u></b>	<b><u>Budgetary Expenditures</u></b>	<b><u>Variance</u></b>
General	\$ -	\$ 67,513	\$ (67,513)
Special Revenue	-	22,988	(22,988)
Permanent	-	-	-
Enterprise	-	284,546	(284,546)

Budgetary activity for the year ended December 31, 2008 follows:

**2008 Budgeted vs Actual Receipts**

<b><u>Fund Type</u></b>	<b><u>Budgeted Receipts</u></b>	<b><u>Actual Receipts</u></b>	<b><u>Variance</u></b>
General	\$ 9,032	\$ 116,481	\$ 107,449
Special Revenue	-	28,907	28,907
Permanent	-	-	-
Enterprise	-	745,924	745,924

**2008 Budgeted vs Actual Budgetary Basis Expenditures**

<b><u>Fund Type</u></b>	<b><u>Appropriation Authority</u></b>	<b><u>Budgetary Expenditures</u></b>	<b><u>Variance</u></b>
General	\$ -	\$ 48,575	\$ (48,575)
Special Revenue	-	23,338	(23,338)
Permanent	-	-	-
Enterprise	-	749,062	(749,062)

**VILLAGE OF CLARINGTON  
MONROE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

**5. DEBT**

Debt outstanding at December 31, 2009, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$ 398,057	6.16%-7.45%
Ohio Public Works Commission Loans	<u>96,705</u>	0%-2%
Total	<u>\$ 494,762</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 sufficiently set utility rates to cover OPWC debt service requirements.

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

<u>Year Ending December 31:</u>	<u>OWDA Loans</u>	<u>OPWC Loans</u>
2010	\$ 64,756	\$ 9,248
2011	64,756	9,248
2012	64,756	9,248
2013	64,756	9,248
2014	64,756	6,855
2015-2019	194,269	34,275
2020-2023	<u>-0-</u>	<u>27,420</u>
Total	<u>\$ 518,049</u>	<u>\$105,542</u>

**6. RETIREMENT SYSTEM**

Most Village 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. Those who do not belong to OPERS elected to enroll in Social Security. The Village's liability is 6.2 percent of wages paid.



**VILLAGE OF CLARINGTON  
MONROE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

**6. RETIREMENT SYSTEM – (Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, members of OPERS contributed 10 percent of their wages. The Village contributes an amount equal to 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**7. RISK MANAGEMENT**

Commercial Insurance

The Village has obtained insurance for the following risks:

- Comprehensive property and general liability;
- Commercial Umbrella Liability;
- Law Enforcement Liability;
- Public Officials Liability; and
- Commercial Auto Liability.

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

**8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS**

Management believes there are no pending claims or lawsuits.

**9. BUDGETARY NONCOMPLIANCE**

The Village had the following citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.38(A)**, the Village Council did not approve appropriations for 2008 or 2009, therefore the Village had expenditures in excess of appropriations contrary to **Ohio Rev. Code Section 5705.41(B)**.
- Contrary to **Ohio Rev. Code Section 5705.36**, the Village did not certify to the county auditor the total amount from all sources available for expenditures from each fund.
- Contrary to **Ohio Revised Code Section 5705.10**, the Village had negative fund balances in the General fund for 2008 and 2009.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Village of Clarington  
Monroe County  
P.O Box 215  
Clarington, OH 43915-0215

To the Village Council:

We have audited the financial statements of the Village of Clarington, Monroe County, Ohio (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated December 2, 2011. We noted the Village followed accounting practices the Auditor of State prescribes, rather than accounting principles generally accepted in the United States of America and did not classify receipts and disbursements as required by the Ohio Administrative Code Section 117-2-02(A). 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.

Internal Controls 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-VCMC-004 described in accompanying schedule of findings to be a material weakness.

### 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 such 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 2009-VCMC-001 through 2009-VCMC-004.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated December 2, 2011.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



*Charles E. Harris and Associates, Inc.*

December 2, 2011

**VILLAGE OF CLARINGTON  
MONROE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 & 2008**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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**FINDING NUMBER 2009-VCMC-001  
Noncompliance Citation**

Ohio Revised Code Section 5705.38 (A) states on or about the first day of each year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

We are unable to locate any appropriations measures for both 2009 and 2008. As a result, the Village is not in compliance with Ohio Revised Code Section 5705.41 (B) that states no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter.

Official's Response:

We will correct our budgetary issues in the very near future.

**FINDING NUMBER 2009-VCMC-002  
Noncompliance Citation**

**Ohio Revised Code Section 5705.36(A)(1)** states that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balances that existed at the end of the preceding year.

The Village, other than certifying property tax rates, did not obtain a certification of available revenue for 2008 or 2009.

Official's Response:

We will correct our budgetary issues in the very near future.

**VILLAGE OF CLARINGTON  
MONROE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 & 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**(Continued)**

**FINDING NUMBER 2009-VCMC-003**

**Noncompliance Citation –Negative Fund Balance**

**Ohio Revised Code Section 5705.10** prohibits the Village from having negative fund balances. The General Fund was found to have a negative cash fund balance at December 31, 2008 and 2009.

Official's Response:

Our General Fund balance is currently positive.

**FINDING NUMBER 2009-VCMC-004**

**Material Weakness – Noncompliance Citation**

**Ohio Administrative Code Section 117-2-02 Accounting and reporting records.**

- (A) 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 by rule 117-2-03 of the Administrative Code.
  
- (B) All local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of the operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:
  - (1) Cash journal, which typically 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 transactions.
  
  - (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payer, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
  
  - (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expense into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

VILLAGE OF CLARINGTON  
MONROE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 & 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

(Continued)

FINDING NUMBER 2009-VCMC-004

(Continued)

(4) In addition, all local public offices should maintain or provide a report similar to the following accounting records for payroll:

- a) W-2's, W-4's and other withholding records and authorizations
- b) Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.

**Ohio Admin. Code § 117-2-02 (C)(1)** provides that all public offices should integrate budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Village did not have a revenue ledger that classified receipts as stated in number (2) above. The Village also did not have an appropriation ledger as described in number (3) above. We recommend that the Village prepare and maintain a revenue ledger and appropriation ledger as described above and integrate budgetary information at the legal level of control into the revenue and appropriation ledgers. We also recommend that the Village segregate accounts within each fund to facilitate the preparation of financial statements.

Official's Response:

We will review our accounting system to determine how best we can prepare financial statements.

**VILLAGE OF CLARINGTON  
MONROE COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-VCMC-001	Contrary to <b>Ohio Rev. Code Section 5705.41(B)</b> the Village had expenditures in excess of appropriations	NO	Citation re-issued as finding number 2009-VCMC-001.
2007-VCMC-002	Village had incorrect accounting transactions.	NO	Citation re-issued as finding number 2009-VCMC-004.
2007-VCMC-003	Contrary to <b>Ohio Rev. Code Section 5705.10</b> the Village had negative fund balances.	NO	Citation re-issued as finding number 2009-VCMC-003.
2007-VCMC-004	Village did not remit payroll tax withholdings.	YES	No longer valid
2007-VCMC-005	Contrary to <b>Ohio Rev. Code Section 5705.36</b> Village did not request amended certificate of resources.	NO	Citation re-issued as finding number 2009-VCMC-002.
2007-VCMC-006	Contrary to <b>Ohio Rev. Code Section 5705.10</b> the Village improperly made inter-fund transfers.	YES	No longer valid

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# Dave Yost • Auditor of State

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  
APRIL 10, 2012