



Dave Yost • Auditor of State

VILLAGE OF CLARKSVILLE
CLINTON COUNTY

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Dave Yost • Auditor of State

ACCOUNTANTS' REPORT

Village of Clarksville
Clinton County
205 West Main Street
Clarksville, Ohio 45113

To the Village Council:

We have selectively tested certain accounts, financial records, files and reports of the Village of Clarksville, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2012 and December 31, 2011, following Ohio Admin. Code § 117-4-02.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

As discussed in Note 12 to the financial statements, the Village has deficit fund balances in the Enterprise Funds. Note 12 describes Management's actions regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

This report is intended solely for the information and use of management, the Village Council, and other officials authorized to receive this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 18, 2015

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VILLAGE OF CLARKSVILLE
CLINTON COUNTY

**COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Unclassified Revenue	\$32,943	\$36,850	\$498,305	\$568,098
Total Cash Receipts	<u>32,943</u>	<u>36,850</u>	<u>498,305</u>	<u>568,098</u>
Cash Disbursements:				
Unclassified Expenditures	42,290	30,067	602,714	675,071
Total Cash Disbursements	<u>42,290</u>	<u>30,067</u>	<u>602,714</u>	<u>675,071</u>
Total Receipts Over/(Under) Disbursements	<u>(9,347)</u>	<u>6,783</u>	<u>(104,409)</u>	<u>(106,973)</u>
Fund Cash Balances, January 1	<u>11,904</u>	<u>47,359</u>	<u>90,899</u>	<u>150,162</u>
Fund Cash Balances, December 31	<u><u>\$2,557</u></u>	<u><u>\$54,142</u></u>	<u><u>(13,510)</u></u>	<u><u>\$43,189</u></u>

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

VILLAGE OF CLARKSVILLE
CLINTON COUNTY

COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Unclassified Revenue	\$34,483	\$35,801	\$279,887	\$350,171
Total Cash Receipts	<u>34,483</u>	<u>35,801</u>	<u>279,887</u>	<u>350,171</u>
Cash Disbursements:				
Unclassified Expenditures	31,163	29,647	267,845	328,655
Total Cash Disbursements	<u>31,163</u>	<u>29,647</u>	<u>267,845</u>	<u>328,655</u>
Total Receipts Over/(Under) Disbursements	<u>3,320</u>	<u>6,154</u>	<u>12,042</u>	<u>21,516</u>
Fund Cash Balances, January 1, restated	<u>8,584</u>	<u>41,205</u>	<u>78,857</u>	<u>128,646</u>
Fund Cash Balances, December 31	<u>\$11,904</u>	<u>\$47,359</u>	<u>90,899</u>	<u>\$150,162</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, 2012 AND 2011**

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, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, and road maintenance. The Village contracts with the Clinton County Sheriff's department to provide security of persons and property.

The Village participates in a jointly governed organizations. Note 9 to the financial statements provides additional information for this entity.

Jointly Governed Organization:

Clinton-Warren Joint Fire and Rescue District- provides fire protection and rescue services within the District and by contract to areas outside the District.

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).

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

Street Lighting Fund - This fund receives special assessment tax money to pay for street lights on the 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 (except certain agency funds 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. 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 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 use the encumbrance method of accounting.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

A summary of 2012 and 2011 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 Deposits and Investments

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

	2012	2011
Demand deposits	\$43,189	\$150,162

Deposits: Deposits are insured by the Federal Depository Insurance Corporation;

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$32,943	\$32,943
Special Revenue	0	36,850	36,850
Enterprise	0	498,305	498,305
Total	\$0	\$568,098	\$568,098

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$42,290	(\$42,290)
Special Revenue	0	30,067	(30,067)
Enterprise	0	602,714	(602,714)
Total	\$0	\$675,071	(\$675,071)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,744	\$34,483	(\$261)
Special Revenue	38,032	35,801	(2,231)
Enterprise	311,217	279,887	(31,330)
Total	\$383,993	\$350,171	(\$33,822)

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,244	\$31,163	\$12,081
Special Revenue	72,044	29,647	42,397
Enterprise	389,503	267,845	121,658
Total	\$504,791	\$328,655	\$176,136

Contrary to Ohio law, the Village did not file the certificate of estimated resources or appropriations with the county for the year ended December 31, 2012. Also contrary to Ohio law, at December 31, 2012, the Water fund had a cash deficit balance of \$24,413 and the Waste fund had a cash deficit balance of \$10,150 and at December 31, 2011 the Waste fund had a deficit balance of \$685.

Budgetary expenditures for unpaid water bills accrued during the year totaled \$83,160 and \$72,324 for years ending December 31, 2012 and 2011, respectively, and were not recorded in the budgetary presentation.

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.

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

5. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #3289	\$307,399	2%
Ohio Water Development Authority Loan #6127	\$50,370	2%
Ohio Public Works Commission Loan #CJ04C	\$357,130	0%
Ohio Public Works Commission Loan #EVO428	\$993	0%
Ohio Public Works Commission Loan # CJ21	\$60,974	0%
Water Meter Lease	\$15,596	
Skid Loader	27,761	
Total	\$820,223	

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Debt (Continued)

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 #6127 relates to a 2012 wastewater force main repair project. OWDA approved up to \$114,130. The loan was scheduled to be repaid over 30 years at 2%. The estimated payment was \$2,369. The Village only drew \$51,833 for the project. The Village made the first three payments based on the estimated amount. The revised amortization schedule shows the next payment of \$432 due in January 2016 and semi-annual payments of \$1,071. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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.

The OPWC loan #EV0428 was issued in 1993 relating to the water works improvements. The loan will be repaid in semi-annual payments of \$993. The loan was secured by the water fund customer charges for services.

The OPWC loan CJ21 was issued in 2012 relating to a water main replacement project. OPWC approved up to \$915,000 at a rate of 0%. At December 31, 2012 the Village had drawn \$60,974 of the available funds. The loan will be repaid in semi-annual installments over 30 years beginning after the project completion. The project had an estimated project completion date of December 31, 2013. Payments were not included in the schedule below.

In 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. The final payment was not made in September 2012 as scheduled.

In 2011 the Village entered into a lease/purchase agreement for \$31,818 with Kansas State Bank of Manhattan to finance the purchase of a Skid Loader to be used by the various departments. The loan is to be repaid at 3.76% interest over seven years with the final loan payment due June 1, 2018.

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Debt (Continued)

Year ending December 31:	OWDA Loan #3289	OWDA Loan #6127	OPWC Loan #EVO428	OPWC Loan #CJ04C
2013	\$51,246	\$0	\$993	\$42,015
2014	51,246	0		42,015
2015	51,246	432		42,015
2016	51,246	2,154		42,015
2017	51,246	2,154		42,015
2018-2022	128,115	10,770		147,054
2023-2027		10,770		
2028-2032		10,770		
2033-2037		10,770		
2038-2042		9,693		
Total	<u>\$384,345</u>	<u>\$57,513</u>	<u>\$993</u>	<u>\$357,129</u>

Year ending December 31:	Meter Reading Equipment	Skid Loader
2013	\$16,372	\$5,255
2014		5,255
2015		5,255
2016		5,255
2017		5,255
2018-2022		5,255
Total	<u>\$16,372</u>	<u>\$31,530</u>

6. Retirement Systems

The Village's 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' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

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.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

The Village is uninsured for the following risks:

- Public officials liability for the fiscal officer

8. Contingent Liabilities

The Village has a contract to purchase water from Western Water for resale in the Village. The Village has a past due account balance that is owed to Western Water. At December 31, 2012 and 2011 the Village owed Western Water a total of \$529,037 and \$445,877, respectively. The balance due as of February 18, 2015, the most current information available, is \$570,613.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. Jointly Governed Organization

The constitution and laws of the State of Ohio establish the rights and privileges of the Clinton-Warren Joint Fire and Rescue District, Clinton County, (the District) as a body corporate and politic. A five-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Each year, a member-at-large is appointed by the political subdivisions within the District. The authority to appoint the member-at-large is rotated annually between the political subdivisions within the District. Those subdivisions are the Village of Clarksville; Vernon Township; Adams Township of Clinton County, and Washington Township, Warren County. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

10. Compliance

- The Village failed to accurately maintain the Village's books as required by Ohio Revised Code Section 733.28 and Ohio Administrative Code Sections 117-2-01 and 117-2-02.
- The Village paid expenditures from restricted funds without proper support
- The Village failed to properly classify receipts and expenditures and file an annual financial report
- Village deposited customer utility deposits into the Water Fund.
- The Village did not deposit monies timely
- The Village did not maintain budgetary information or file budgetary documents with the county auditor.
- The Village failed to charge adequate water and sewer rates as required by OWDA and OPWC loan agreements.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

11. Fund Balance Restatement

Fund cash balances previously reported have been restated to correct prior fund balance that was reduced by outstanding encumbrances in the Water Fund.

	<u>Enterprise</u>
Amount previously reported December 31, 2010	\$56,897
Water Fund correction	20,960
Restated amount, January 1, 2011	<u>\$78,857</u>

12. Fiscal Distress/Subsequent Event

The Village had deficit fund balances in the following funds at December 31, 2012: Water fund (\$24,413) and the Waste fund (\$10,150). During 2013 the Village experienced unaudited deficits in certain funds.

The latest date that fund level balances were presented to council was on December 31, 2013.

FUND	Unaudited cash Balance at December 31, 2013
General	(\$12)
Waste	(\$4,323)
Water	\$28,490

On February 18, 2015, the Village had the following significant outstanding balances:

Vendor	Amount Outstanding
Western Water	\$570,613
Auditor of State	\$ 16,303
Rumpke	\$ 10,946

As of February 18, 2015, management has payment agreements in place for most of the past due bills. Management is planning to spend only what is absolutely necessary. The Village has requested assistance from the State Auditor's Local Government Services to put a plan in place.



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ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Village of Clarksville
Clinton County
205 West Main Street
Clarksville, Ohio 45113

To the Village Council:

We have selectively tested certain accounts, financial records, files and reports of the Village of Clarksville, Clinton County, Ohio (the Village) as of and for the years ended December 31, 2012 and 2011 following Ohio Admin, Code §117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting or compliance. We therefore express no opinion on these matters.

Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting, we noted matters that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing their assigned functions. These matters are described in the Schedule of Findings as items 2012-001 through 2012-014.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contracts, and grant agreements applicable to the Village. Noncompliance with which could directly and materially affect the determination of financial statements amounts. The results of our tested disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2012-001, 2012-003 through 2012-009, 2012-011 through 2012-016.

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

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

Dave Yost
Auditor of State

Columbus, Ohio

February 18, 2015

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
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**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2012-001

Noncompliance and Internal Control

Ohio Administrative Code § 117-2-01 states:

- (A) All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.
- (B) "Internal control" means a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (1) Reliability of financial reporting;
 - (2) Effectiveness and efficiency of operations;
 - (3) Compliance with applicable laws and regulations; and
 - (4) Safeguarding of assets.

Ohio Administrative Code § 117-2-02 requires:

- (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 (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.
- (C) The following systems and documents may be used to effectively maintain the accounting and budgetary records of the local public office:
 - (1) All local public offices should integrate the 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.
 - (2) Purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required by section [5705.41\(D\)](#) of the Revised Code. Purchase orders are not effective unless the fiscal officer's certificate is attached. The certificate should be attached at the time a commitment to purchase goods or services is made.
 - (3) Vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information. The local office should also attach supporting documentation to the voucher, such as vendor invoices.

FINDING NUMBER 2012-001
(Continued)

- (D) All local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of 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 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. The amount, date, name of the payor, 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/expenses 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, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.
 - (4) In addition, all local public offices should maintain or provide a report similar to the following accounting records:
 - (a) Payroll records including:
 - (i) W-2's, W-4's and other withholding records and authorizations.
 - (ii) 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.
 - (iii) Check register that includes, in numerical sequence, the check number, payee, net amount, and the date.
 - (b) Utilities billing records including:
 - (i) Master file of service address, account numbers, billing address, type of services provided, and billing rates.
 - (ii) Accounts receivable ledger for each service type, including for each customer account, the outstanding balance due as of the end of each billing period (with an aging schedule for past due amounts), current usage and billing amount, delinquent or late fees due, payments received and noncash adjustments, each maintained by date and amount.
 - (iii) Cash receipts records, recording cash received and date received on each account. This information should be used to post payments to individual accounts in the accounts receivable ledger described above.

FINDING NUMBER 2012-001
(Continued)

- (c) Capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

The Village did not have a proper system of internal controls - which should include knowledge of required records and applicable laws, adequate segregation of duties, and monitoring – as indicated by the following conditions:

- The Village bank reconciliations, a key control, were not accurate. See finding 2012-002.
- The Village accounting system did not integrate budgetary accounts, at the legal level of control, into the accounting system, nor did the Village utilize purchase orders.
- The cash journal did not include account codes, purchase order numbers, or balances necessary to properly classify transactions or reconcile fund balances.
- The Village did not have receipt or appropriation ledgers.
- Receipts for intergovernmental revenue and debt proceeds were not posted to the proper fund in the Village cash journal. See finding 2012-003.
- The Village did not record in the accounting records Pass-through grant and debt proceeds and expenditures. See finding 2012-003.
- The Village did not provide employee master files, which includes withholding information for audit.
- The payroll journal did not include the check number for the payroll payments issued, and was not reconciled to the cash journal.
- Village employee timesheets did not have adequate information and documentation to allow for accurate allocation by fund, and timesheets were not consistent and standardized for all employees.
- The utility records did not include a master file of service addresses.
- The customer utility deposits were included in the water fund balance. The Village did not have a list to show the amount of customer deposits on hand. See finding 2012-008
- Utility records were deleted from the electronic system used to maintain utility billing records. See finding 2012-007.
- The Village did not maintain documentation to support adjustments to utility accounts.
- December 2011 utility receipts were not posted to the cash journal until they were deposited in 2012. See finding 2012-003.
- Check dates on the stubs in the voucher packet did not agree to the dates in the cash journal. Checks were not in sequential order.

**FINDING NUMBER 2012-001
(Continued)**

- Voucher packets did not include supporting documentation to ensure funds were expended only for the purposes for which they were created. See finding 2012-007.
- The Village has a lack of controls and had no written policy to communicate enforcement of integrity and ethical values.

The risk of misappropriation of assets, fraud, or abuse without detection is increased when internal controls have not been implemented. Additionally, the Village was unable to present the required financial statements due to the condition of the records and the Village could not ensure completeness over the utility collections due to undocumented adjustments and deletions of utility records.

The Village needs to assess the internal control procedures throughout Village operations. The Village should review the Village Officer's handbook and Ohio Compliance Supplement to identify required records, determine officials' responsibilities, and help correct the control weaknesses, accounting and financial reporting deficiencies, and noncompliance. The Village should seek advice from statutory legal counsel, the Auditor of State Local Government Services, and other qualified sources when needed.

Officials' Response:

- (A),(C),(D)(1),(2),&(3)

The Village started converting from manual records to the Auditor of State's Uniform Accounting System (U.A.N.) in September, 2014. Purchase orders, vouchers, journals, ledgers, reports, all payroll information as well as bank reconciliations are now current and available for calendar year 2014 forward. Account codes are used as seen in the U.A.N. system.

- (D)(4)(a)

Payroll was converted into U.A.N. as of January 1, 2014 so all reports, register etc. are available.

- (D)(4)(b)

No response

- (D)(4)(c)

No response

FINDING NUMBER 2012-002

Internal Control

A proper system of internal controls includes an adequate level of monitoring. A key monitoring control that can be used to help identify and correct errors is reconciling the bank balance to the Village records. The fiscal officer presented reconciliations for each month. Errors on the December 31, 2012 bank reconciliation include:

- The list of reconciling items did not add to the subtotal of the reconciling items.
- Reconciling items from prior months had not been corrected.
- The Bank reconciliation did not agree to the cash journal because the cash journal did not include balances.

**FINDING NUMBER 2012-002
(Continued)**

The bank reconciliation was recalculated as an engagement procedure to assure completeness. Reconciling items included:

- Variances between Village records and banking transactions, deposit adjustments, and adjustments for checks that were returned for non-sufficient funds. The total of these items overstates the total fund balances by \$3,883 or 8.99%.
- The list of reconciling items includes checks that have been outstanding for more than a year totaling \$10,656. These represent a possible understatement of total fund balance of 24.67%.
- Prior audit fund balance adjustments.

The Village officials did not have an adequate understanding of internal controls and lacked oversight needed when segregation of duties cannot be obtained. The lack of understanding and oversight allowed for inaccurate bank reconciliations and known errors dating back to 2004 that have not been corrected. Failing to correct known errors could allow the Village to make decisions with inaccurate financial data.

The Village officials should gain an understanding of the purpose of the bank reconciliation. They should document and perform procedures to verify the accuracy of the reconciliation to reduce risks associated with segregation of duties and ensure reconciling items are addressed timely. The Village should follow up on outstanding checks to determine if they are due to an error, have been reissued, or should be paid into an unclaimed money fund as required by Ohio Rev Code § 9.39.

Officials' Response:

- All months, beginning January 2014 and forward are reconciled with the bank and initialed by Village council members.
- Prior month/year reconciling items are planned to be researched and corrected in 2015.
- Prior period audit adjustments will be made in 2015.
- Village officials plan to attend the State Auditor's annual local government officials' conference in April, 2015.

FINDING NUMBER 2012-003

Noncompliance and Internal Control

Ohio Rev. Code, § 733.28, states, in part, that the Village Fiscal Officer 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.

We identified the following conditions related to the Village's financial statements

- Prior period audit adjustments were not properly posted to the Village's accounting system.
- Tax receipts were posted at net, but should be posted at gross to record fees.
- December 2011 revenue was recorded in the Utility system, but not recorded in the cash journal until January 2012.

**FINDING NUMBER 2012-003
(Continued)**

The Village did not record pass-through funding from grants or new debt issuances, made errors in receipt postings and made errors in expenditure postings. This resulted in the following misstatements:

Item	Amount	Proper Fund/ Classification	Fund/Classification Reported
2011			
OWDA Loan Proceeds	\$ 537	Water Fund/ Receipts	Unclassified Not Recorded
OWDA on behalf payments	537	Water Fund/ Expenditures	Unclassified Not Recorded
Skid Steer loan proceeds	31,818	General Fund/ Revenue	Unclassified Not Recorded
Skid Steer expenditures	31,818	General Fund / Expenditures	Unclassified Not Recorded
State and Local Govt Highway Distribution	451	Street Fund / Revenue	Unclassified General Fund / Unclassified Revenue
State and Local Govt Highway Distribution	37	St Hwy Fund /	Unclassified General Fund / Unclassified Revenue
2012			
OWDA Pass through Loan Proceeds	3,299	Water Fund / Revenue	Unclassified Not Recorded
OWDA pass through capitalized interest payments	3,299	Water Fund / Expenditures	Unclassified Not Recorded
OWDA Loan Proceeds	25,529	Sewer Fund / Revenue	Unclassified Not Recorded
OWDA on behalf payments	25,529	Sewer Fund / Expenditures	Unclassified Not Recorded
OPWC pass through grant proceeds	299,700	Water Fund / Revenue	Unclassified Not Recorded
OPWC pass through grant expenditures	299,700	Water Fund / Expenditures	Unclassified Not Recorded
OPWC pass through loan proceeds	60,974	Water Fund / Revenue	Unclassified Not Recorded
OPWC pass through loan expenditures	60,974	Water Fund / Expenditures	Unclassified Not Recorded
Gas Tax distribution	719	Street Fund / Receipts	Unclassified General Fund / Unclassified Receipts
Gas Tax distribution	58	State Hwy Fund / Unclassified Revenue	Fund General Fund / Unclassified Receipts
Waste Receipts	201	Waste Fund / Revenue	Unclassified Street Fund / Unclassified Revenue
Sewer Loan Proceeds	8,835	Sewer Fund / Revenue	Unclassified Water Fund / Unclassified Revenue
Utility Receipts	139	Water Fund / Revenue	Unclassified General Fund / Unclassified Revenue
Utility Receipts	497	Sewer Fund / Revenue	Unclassified General Fund / Unclassified Revenue
Utility Receipts	144	Waste Fund / Revenue	Unclassified General Fund / Unclassified Revenue

**FINDING NUMBER 2012-003
(Continued)**

A lack of proper internal controls allowed the errors to go undetected. Undetected errors can result in inaccurate financial statements and increase the risk of misappropriation of assets. The Village officials should review the Village Officer's Handbook and Ohio Compliance Supplement to gain an understanding of financial recording requirements and develop and implement review procedures to ensure that all transactions are recorded in the financial records to the appropriate fund. As part of this procedure the Village should reconcile the utility revenue recorded in the accounting ledgers to the utility billing software. In accordance with the foregoing we hereby issue a finding for adjustment against the General fund in the amount of \$2,045, and Water Fund in the amount of \$8,696; and in favor of the Street Construction Maintenance Repair Fund in the amount of \$969, Sewer Fund in the amount of \$9,332, Waste Fund in the amount of \$345, and State Highway Fund in the amount of \$95.

Officials' Response:

- Prior period audit adjustments will be made in 2015.
- Tax receipts have been posted properly in 2014.
- December, 2014 revenue recorded in the utility system and in the cash journal December, 2014.
- OWDA loan proceeds will be recorded in a new fund for this purpose in 2014.
- Skid Steer expenditure will be recorded in a debt program code in 2014.

FINDING NUMBER 2012-004

Noncompliance and Internal Control

Ohio Rev. Code, § 5705.10, requires that funds are only used for the purpose for which they were created. For payroll expenditures, time spent should be carefully documented and verified as eligible for payment on the fund from which it is drawn. Related expenditures should be prorated consistent with the services provided. If circumstances are such that it is impossible to prorate employees' time, then none of their compensation or related benefits may be paid from a fund other than the General Fund. Failure to adequately document time could result in restricted funds paying for work that is not within the restrictions placed on the funds. For non-payroll expenditures, the Village should maintain supporting documentation sufficient to show the expenditure related to the purpose for which the fund was created. If circumstances are such that it is impossible to determine a proper allocation, the expenditure must be paid from the General fund.

We identified the following conditions related to the Village's financial statements:

- The Village did not have proper supporting documentation for the allocation of payroll for two of four employees tested. The tax withholding remittance amounts were not prorated in accordance with the time records.
- Eight of 16 non-payroll transactions tested did not have adequate support to show the expenditure was for a purpose of the fund from which it was drawn.
- One debt payment did not have supporting documentation showing the use of the equipment purchased.
- The Village had deficit fund balances which indicate that other restricted funds were used to pay the obligations of the negative fund. (See finding 2012-011)

**FINDING NUMBER 2012-004
 (Continued)**

This resulted in the following proposed adjustments:

Item	Amount	Proper Fund/ Classification	Fund/Classification Reported
2011			
Lack of support for allocation of Village administration's salary and benefits	\$16,030	General Fund / Unclassified Expenditures	Waste Fund, Sewer Fund, Street Fund, and Water Fund / Unclassified Expenditures
Non-payroll expenditures did not have proper supporting documentation for allocation to restricted funds.	11,315	General Fund / Unclassified Expenditures	Sewer Fund, Street Fund, and Water Fund / Unclassified Expenditures
2012			
Lack of support for allocation of Village administration's salary and benefits	22,638	General Fund / Unclassified Expenditures	Waste Fund, Sewer Fund, Street Fund, and Water Fund / Unclassified Expenditures
Non-payroll expenditures did not have proper supporting documentation for allocation to restricted funds.	11,599	General Fund / Unclassified Expenditures	Sewer Fund, Street Fund, and Water Fund / Unclassified Expenditures
Sewer debt payment was paid from the water fund.	993	Sewer Fund / Unclassified Expenditures	Water Fund / Unclassified Expenditures
Debt payment for a skid loader did not have support to document the use for payment from restricted fund	5,255	General Fund / Unclassified Expenditures	Street Fund / Unclassified Expenditures

A lack of proper internal controls allowed expenditures to be recorded without proper supporting documentation. Allowing expenditures to be made without proper supporting documentation increases the risk of misappropriation of assets.

The Village should develop and implement controls to ensure that all expenditures have been appropriately documented and verified to reduce the risk of misappropriation of funds.

In accordance with the foregoing we hereby issue a finding for adjustment against the General fund in the amount of \$66,837 and in favor of the Water Fund in the amount of \$11,675, Street Construction Maintenance Repair Fund in the amount of \$20,992, Sewer Fund in the amount of \$32,577, Waste Fund in the amount of \$1,593.

Officials' Response:

- Detailed time sheets were started in July, 2014.
- All expenditures have proper documentation supporting them being paid from the proper fund and for public purpose beginning June, 2014.
- Council acted December 22, 2014 approving to split the payment for the Kabota skid loader, based on its use, to be 20% Street Maintenance Fund, 60% Water Operating Fund and 20% Sewer Operating Fund.

FINDING NUMBER 2012-005

Noncompliance and Internal Control

Ohio Rev. Code, §117.38, provides that cash-basis entities must file annual reports with the Auditor of State within sixty days of the fiscal year end. The Auditor of State has prescribed the forms for these reports. Any public office not filing the report by the required date shall pay a penalty of \$25 for each day the report remains unfiled, not to exceed \$750. The AOS may waive these penalties, upon the filing of the past due financial report.

The report shall contain the amount of:

- (A) Receipts, and amounts due from each source;
- (B) Expenditures for each purpose;
- (C) Income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and
- (D) Public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The Village did not maintain accounting records sufficient to categorize the revenues and expenditures in accordance with the prescribed forms and did not file their 2011 or 2012 Annual Financial report with the Auditor of State. Failure to file reports timely can lead to financial penalties and increases the risk that assets could be misappropriated without detection.

The Village should maintain records that will allow it to complete and file its Annual Financial Report with the Auditor of State by the sixty day deadline.

Officials' Response:

The financial statement was filed for fiscal year 2014.

FINDING NUMBER 2012-006

Noncompliance and Internal Control

The Ohio Public Works Commission (OPWC) agreement for project CJ21P Appendix C-1 Article 3.2 (a) provides that the Village shall at all times prescribe and charge such rates, fees, charges or taxes as shall result in revenues at least adequate to meet operation, maintenance and all expenses of the Utility and the payment of all amounts required by the Note. Project CJ21P was for a water main replacement project, so the responsible utility would be the water fund.

Ohio Water Development Authority (OWDA) agreement associated with loan 6127 Article IV section 4.3 provides:

- (a) the Village will prescribe and charge rates for the services of the System as shall result in Pledge Revenues at least adequate to provide for the required payments.
- (b) the Village will furnish to the OWDA annually reports of the operation and income of the system and also an annual report of the accounts and operation of the System and such other documents as the OWDA may reasonably request.

The Master Equipment Lease/Purchase Agreement dated September 7, 2007 for the water meter purchase provided for the final payment of \$16,372 to be made on September 7, 2012.

**FINDING NUMBER 2012-006
(Continued)**

The following conditions of debt noncompliance were noted:

- Neither the Sewer fund nor the Water fund maintained rates sufficient to collect enough revenue to pay the debt obligations. The records provided for audit indicate the Sewer fund had a fund balance of \$(24,413) and the Water fund balance was \$21,053. The Village had an outstanding bill for water purchased for resale totaling \$529,037 owed by the water fund.
- There was no evidence any reports had been submitted to OWDA for review.
- The Village did not make the September 7, 2012 scheduled \$16,372 lease payment for the water meter purchase.
- Late fees were paid to OWDA and PWC Equipment Finance.

The lack of internal controls allowed for missed and late payments as well as non-compliance with other debt covenants. Failure to follow debt covenants could result in default and demand for payment in full.

The Village should develop and implement controls to ensure that the Village is collecting sufficient revenue to cover the utility operations as well as debt obligations and make payments timely.

Officials' Response:

- The Village is in the process of confirming with OWDA that the September 7, 2012 payment to the OWDA was paid.
- With computerized records now being kept, going forward, all required reports will be completed.

FINDING NUMBER 2012-007

Noncompliance and Internal Control

Ohio Rev. Code, § 149.351 (A), provides that all records are the property of the public office concerned 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.

The Village had the following conditions:

- Electronic utility records were deleted from the utility billing system. Paper records were not maintained to support the activity that was deleted.
- Documentation for the purchase of a skid loader in 2011 or the associated debt obligation was not maintained.
- The Village obtained 2 OWDA loans during the audit period; however, they did not maintain debt covenants.
- The employee master files, including withholding information, were not maintained.

**FINDING NUMBER 2012-007
(Continued)**

- Detailed invoices for the following payments were not maintained or presented for audit:
 - \$6,065 to Buchanan's Power Equipment
 - \$35,240 to EES
 - \$9,472 to R Newton.

We were able to perform alternative auditing procedures to determine these disbursements were for a proper public purpose.

The lack of proper internal controls allowed for the loss of Village records. Failure to maintain the records could allow for unrecognized financial statement misstatements, theft, fraud, or misappropriation of assets.

The Village should establish procedures to ensure that Village records are maintained for compliance with revised code and to allow the Village to complete other analytic procedures required by a proper system of internal controls.

Officials' Response:

The Village plans to adopt a records retention schedule in 2015.

FINDING NUMBER 2012-008

Noncompliance and Internal Control

Ohio Rev. Code, § 5705.09 (F), requires funds to be established for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. The Village is receiving utility deposits that are restricted to repay the customer when service is terminated or be applied to the utility accounts in the event of a default.

The Village deposited customer utility deposits into the Water Fund. The Village did not maintain a summary of the total customer deposits being held. This could allow the Village to misappropriate money that is owed to a customer or the other utility funds in the event of default.

We recommend the Village determine the amount of money that is being held as a customer utility deposit, create a customer utility deposit fund, and maintain and account for all utility deposit activity in the fund. Subsidiary records should be used to maintain a list of customer utility deposits that reconciles to the total in the customer utility deposit fund.

Officials' Response:

The utility deposits fund was created in 2014 and the Village will research and move the past known deposits into the fund during 2015.

FINDING NUMBER 2012-009

Noncompliance and Internal Control

Ohio Rev. Code, § 9.38, requires a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of 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 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 receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

The Village did not have controls in place to ensure deposits were made timely. The Village did not have a policy to extend the requirement beyond 24 hours. The Village did not deposit 78 of 88 deposits in 2011 and 48 of 72 deposits in 2012 within 24 hours of the receipt date in the utility system. The deposit date preceded the receipt dated in the utility system for 2 of 88 receipts in 2011 and 13 of 72 receipts in 2012. Failure to have controls requiring timely deposits increases the risk of theft, fraud or misappropriation of assets without detection.

The Village should develop and implement controls to ensure that all revenue collected by the Village is deposited to the Fiscal Officer or designated depository within the required 24 hours. The Village should also develop procedures to ensure that customer payments are recorded to their accounts in a timely manner.

Officials' Response:

On November 3, 2014, the village approved a motion to allow up to three business days for making deposits once money is received.

FINDING NUMBER 2012-010

Internal Control

The Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

Nonspendable Fund Balance- The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. (GASB 54 ¶6)

Restricted Fund Balance- The restricted classification is used when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments (i.e., State Statutes); or (b) imposed by law through constitutional provisions (City Charter) or enabling legislation. (GASB 54 ¶8)

Committed Fund Balance- The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. (GASB 54 ¶10)

**FINDING NUMBER 2012-010
(Continued)**

Assigned Fund Balance- Assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed (GASB 54 ¶13).

Unassigned Fund Balance- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund (GASB 54 ¶17).

Auditor of State Bulletin 2011-004 clarifies the impact of GASB 54 on Ohio governmental units and provides guidance on implementation.

The Village did not implement the changes required by GASB 54.

The Village should review the GASB 54 statement and guidance and adopt the required fund balance policies. The policy should define whether the Village considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. The Village should also present funds in accordance with the standards when preparing the financial statements.

Officials' Response:

The Village implemented the changes required by GASB 54 for fiscal year 2014 reporting.

FINDING NUMBER 2012-011

Noncompliance and Internal Control

Ohio Rev. Code, § 5705.36 (A), requires:

- (1) 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 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.
- (2) Subject to divisions (A)(3) and (4) of this section, upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.
- (3) Upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess.
- (4) Upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

FINDING NUMBER 2012-011
(Continued)

- (5) The total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund in the official certificate of estimated resources, or any amendment thereof, certified prior to the making of the appropriation or supplemental appropriation.

Ohio Rev. Code, § 5705.38 (A), requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Ohio Rev. Code, § 5705.39, provides that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established.

Ohio Rev. Code, § 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. 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 – The Fiscal Officer 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.

FINDING NUMBER 2012-011
(Continued)

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.

Ohio Rev. Code, § 5705.42, Federal and State grants or loans are “*deemed appropriated*” for such purpose by the taxing authority” as provided by law and shall be recorded as such by the fiscal officer of the subdivision,

Conditions leading to budgetary noncompliance included:

- The Village did not file the 2012 certificate of estimated resources with the county auditor.
- The Village did not file the 2012 appropriations with the county auditor.
- The Village did not obtain a certificate from the county auditor stating that the appropriations did not exceed estimated revenues.
- The Village did not record the appropriations or request an amended certificate when state loans and grant awards were approved or received in 2011 or 2012.
- The Village did not use the encumbrance method of accounting in 2011 or 2012.
- Expenditures were not certified by the fiscal officer after March of 2011.
- The Village amended certificate showed an unencumbered beginning 2011 fund balance of \$37,782. The outstanding balance of \$373,553 owed to Western Water should have been encumbered reported as encumbered. The remaining unencumbered fund balance should have been \$(335,772).
- The increase in the past due balance of \$72,324 and \$83,160 for years 2011 and 2012, respectively, would have represented budgetary expenditures and reduced subsequent unencumbered balances. The past due balances were not recorded in the Village records as encumbrances or presented in the budgetary analysis in the notes.
- Appropriations exceeded available resources in the General fund in the amount of \$177, Water fund in the amount of \$13,235, Sewer fund in the amount of \$21,492, and Waste fund in the amount of \$4,769.
- Expenditures exceeded actual resources in the Waste and Water funds resulting in a Waste fund balance of \$(10,150) and \$(685) at December 31, 2012 and 2011, respectively and a Water fund balance of \$(24,413) at December 31, 2012.
- Budgetary presentations did not include revenues or expenditures relating to pass through funding from state loans and grants. See finding 2012-003.

The lack of a proper internal control system allowed the Village to violate budgetary law, misstate financial statement, and overspend.

**FINDING NUMBER 2012-011
 (Continued)**

The Village should gain an understanding of budgetary law and implement the required budgetary procedures to help reduce the risk of further noncompliance and overspending.

Officials' Response:

- Certification of the ending balance and estimated revenues was made to the county auditor and the Village received an amended certificate for fiscal year 2014.
- Purchase orders were used beginning in 2014.
- Village officials plan to attend the state auditor's annual local government official's conference in April, 2015 in order to gain a better understanding of budgetary law and implement the required budgetary procedures to help reduce the risk of further non-compliance and overspending.

FINDING NUMBER 2012-012

Noncompliance and Internal Control

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

- The Village stopped utilizing the UAN software in March of 2011, but paid a bill for the service with warrant 20622 in January of 2012.
- Village warrant 20937 was issued to OWDA in the amount of \$30,177 for payment of three loans as follows:

Account Number	Amount
3289	\$25,623
6127	\$2,369
5886	\$2,185
Total	\$30,177

Warrant 20938 was issued for \$1,875 which was the payoff for account 5886. The \$2,185 for account number 5886 was not posted to account 5886 because it had been paid in full with warrant 20938. The payment was not posted to the other OWDA accounts. Detail was not provided by the Village to determine if the check cleared the bank for the amount recorded or money was refunded by OWDA in fiscal year 2013.

- The Village paid late fees to PWC, Sprint, Frontier, DP&L, OWDA, PERS, and the IRS.

The Village did not have an adequate system of internal controls. As a result of the lack of controls, the Village made a payment in excess of the amount owed on a loan, payments for late fees and payments for services that were not in use.

**FINDING NUMBER 2012-012
(Continued)**

The Village should review the records to determine if the check cleared for the amount recorded and if a refund was received from OWDA. If the check cleared for the amount recorded and a refund was not received, the Village should contact OWDA to resolve the situation. The Village should also review the services being received and ensure that payments are only being made for services that are used by the Village.

Officials' Response:

We did not receive a response from officials to the finding above.

FINDING NUMBER 2012-013

Noncompliance and Internal Control

Ohio Rev. Code, § 705.27, requires that the fiscal officer of the municipal corporation, shall give a bond to the municipal corporation for the faithful performance of their duties, in such sum as the legislative authority fixes by ordinance or resolution.

The Village purchased a public employees blanket bond. The blanket bond excluded any position that is required to be bonded by law. The Village did not review the bond and as a result, the Village was not aware that the blanket bond excluded positions required to be bonded by law. Failure to have a bond covering the fiscal officer could lead to unrecoverable losses.

The Village should review the bonding requirements and purchase a bond to cover the fiscal officer at a sum fixed by ordinance or resolution. Purchasing a bond with a sufficient sum will help to prevent unrecoverable losses.

Officials' Response:

A bond covering the fiscal officer has been in effect since May 26, 2014.

FINDING NUMBER 2012-014

Finding for Recovery and Internal Control

Adequate records were not maintained to support noncash adjustments made to customer accounts by the Village. Noncash adjustments made to individual customer accounts were not approved by the Water Committee or Village Council or reviewed by anyone other than the individual making the adjustment to customer accounts. Failure to properly document and approve adjustments to customer accounts could result in theft of utility service.

The Village Administrator, Ed Friend, was responsible for billing customers on a monthly basis for water, sewer and sanitation charges. Mr. Friend was also responsible for collecting payments, recording payments in the Village's utility system, and depositing payments made by customers for their utilities. Additionally, Mr. Friend had the ability to post adjustments to customers' accounts.

We identified 30 adjustments made during the audit period totaling \$23,605 posted to the Village's utility system for 26 customer accounts. These adjustments reduced the customer accounts; however, the Village did not maintain any supporting documentation to support the adjustments, and the adjustments were not approved by Village Council or the Village Water Committee.

**FINDING NUMBER 2012-014
(Continued)**

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies due but not collected totaling \$23,605 is hereby issued against Ed Friend in favor of the Village of Clarksville Water Fund in the amount of \$10,391, in favor of the Village of Clarksville Sewer Fund in the amount of \$10,271, and in favor of the Village of Clarksville Sanitation Fund in the amount of \$2,943.

To improve accountability over receipts, the Village should adopt policies and procedures for utility billings and collections including procedures for the following:

- A system for initiating and making noncash adjustments to customer utility accounts receivable should be created.
- Any requests for re-reads/adjustments should be documented. Once the reader has re-read a customer's meter, he should initial and document a resolution of the discrepancy in writing (i.e. original reading correct or water leak and recommendation of adjustment to be made).
- Any noncash adjustment to a users' account recommended by the water meter reader should be documented and initialed by the Village Administrator.
- The Council should review and approve all adjustments to customer accounts and document these approvals in the Council minute record.
- The Village should have a system in place to monitor aging accounts and determine the need to levy assessments on property owners.

Officials' Response:

Mr. Friend resigned in April, 2013 and was replaced with a new village administrator.

FINDING NUMBER 2012-015

Noncompliance

White v. Clinton Cty. Bd. of Commrs' (1996), 76 Ohio St.3d 416, Ohio Rev. Code Sections 121.22, and 149.43 when read together impose a duty on the Village to maintain a full and accurate record of its proceedings. Minutes of meetings must be promptly recorded and open for public inspection per State, ex rel. Fairfield Leader v. Ricketts (1990), 56 Ohio St.3d 97.

Ohio Rev. Code, Section 121.22(C), states that all meetings of any public body are to be open to the public at all times. The minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection.

Ohio Rev. Code, Section 731.20, states ordinances, resolutions, and bylaws shall be authenticated by the signature of the presiding officer and clerk of the legislative authority of the municipal corporation. Ordinances of a general nature or providing for improvements shall be published as provided by sections 731.21 and 731.22 of the Revised Code before going into operation. No ordinance shall take effect until the expiration of ten days after the first publication of such notice. As soon as a bylaw, resolution, or ordinance is passed and signed, it shall be recorded by the clerk in a book furnished by the legislative authority for that purpose.

The Village did not sufficiently and consistently document decisions concerning bill payments, and approval of budgetary documents as indicated by the following conditions:

**FINDING NUMBER 2012-015
(Continued)**

- The Mayor or designated representative did not sign the minutes in two instances.
- The Fiscal Officer did not sign the minutes in three instances.
- The minutes for prior meetings were not approved in nine instances. Five of those documented that the Clerk was not there, so the minutes were waived
- The minutes were not properly adjourned once.
- Bills were paid during the months of February and October 2011, but were not approved in the minutes.

Prompt review of the minutes allows Council the ability to make any necessary changes in a timely fashion. In as much as the Village Council speaks through its minutes, all actions of the Village should be documented in the minute records with as much detail as possible, and with proper and accurate reference to supporting documentation. Without proper authorization, illegal transactions or payments could occur without the knowledge of the Village officials. Also, these records will provide management with the needed future references for informed decision making, and be available for the public inspection of legislative decisions of the Village Council.

Failure to properly record meeting minutes could result in misleading the public of the Village's activities. The minutes are the official voice of Council and should contain all official actions.

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

- Minutes should be prepared on a timely basis and presented at the subsequent council meeting and approved by Council. The date of the minutes being approved should be specified.
- All actions of Council should be approved in the minutes. All resolutions and ordinances should be numbered and made a part of a permanent record of proceedings;
- Minutes should be signed by the Village officials affirming their accuracy;
- Review of the annual financial data, including budgets, appropriations, transfers, required reports, and any advertisements for the same, should be documented as a permanent part of the minute records. All bills should be approved during Council meetings.
- All meetings should be properly adjourned to indicate that all official actions are concluded.

Officials' Response:

- All minutes are signed by the mayor and fiscal officer beginning in 2013.
- All minutes are full and complete as of June, 2014.

FINDING NUMBER 2012-016

Noncompliance

Ohio Rev. Code, Section 149.43(E)(1), states, in part, that all public offices shall adopt a public records policy in compliance with this section for responding to public records requests. In adopting a public records policy under this division, a public office may obtain guidance from the model public records policy developed and provided to the public office by the attorney general under section 109.43 of the Revised Code. Except as otherwise provided in this section, the policy may not limit the number of public records that the public office will make available to a single person, may not limit the number of public records that it will make available during a fixed period of time, and may not establish a fixed period of time before it will respond to a request for inspection or copying of public records, unless that period is less than eight hours.

The Village does not have a public records policy. Failure to have a public records policy could result in improper access to Village records. The Village officials did not attend the required public records training.

All state and local elected officials, or their designees, must attend at least 3 hours of training on Ohio's Public Records Laws during each term of office. The training received must be certified by the Ohio Attorney General. Proof that training has been completed must include documentation that either the Attorney General's Office or another entity certified by the Attorney General provided the training to the elected official, or his/her designee. Attendees who successfully completed the training will receive a certificate to serve as proof of training.

We recommend the Village establish a public records policy, and attend public records training in accordance with the above section.

Officials' Response:

The Village officials will adopt a public records policy and attend the public records training in 2015.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	ORC 733.28 Failure to keep accurate records.	No	Reissued as finding 2012-003
2010-02	ORC 5705.41D Failure to properly encumber	No	Reissued as finding 2012-011
2010-03	ORC 5705.40 Failure to approve amended appropriations	No	Not Corrected. The Village didn't record any budgetary information see finding 2012--11.

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Dave Yost • 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
MARCH 10, 2015**