

VILLAGE OF CLARINGTON

AUDIT REPORT

JANUARY 1, 2016 - DECEMBER 31, 2017

**Wilson, Phillips & Agin, CPA's, Inc.
1100 Brandywine Blvd. Building G
Zanesville, Ohio 43701**



Dave Yost • Auditor of State

Village Council
Village of Clarington
PO Box 215
Clarington, Ohio 43915

We have reviewed the *Independent Auditor's Report* of the Village of Clarington, Monroe County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2016 through December 31, 2017. 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.

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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

August 3, 2018

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**VILLAGE OF CLARINGTON
MONROE COUNTY
JANUARY 1, 2016 - DECEMBER 31, 2017**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Village of Clarington, Monroe County, as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, are presumed to be material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Clarington as of December 31, 2017 and 2016, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Clarington, Monroe County as of December 31, 2017 and 2016, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 18, 2018, on our consideration of the Village of Clarington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine 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* in considering the Village's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.

Zanesville, Ohio

June 18, 2018

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts:				
Property Taxes	\$ 17,034	\$ -	\$ -	\$ 17,034
Intergovernmental	19,254	20,624	-	39,878
Charges for Services	75	9,491	-	9,566
Fines, Licenses, Permits	1,303	-	-	1,303
Earnings on Investments	1,264	376	-	1,640
Miscellaneous	52,638	4,220	-	56,858
Total Cash Receipts	<u>91,568</u>	<u>34,711</u>	<u>-</u>	<u>126,279</u>
Cash Disbursements:				
Current:				
Public Health	-	8,843	-	8,843
Transportation	-	23,474	-	23,474
General Government	51,388	-	-	51,388
Total Cash Disbursements	<u>51,388</u>	<u>32,317</u>	<u>-</u>	<u>83,705</u>
Excess of Receipts Over (Under) Disbursements	40,180	2,394	-	42,574
Other Financing Receipts (Disbursements)				
Transfers In	-	10,000	-	10,000
Transfers Out	(10,000)	-	-	(10,000)
Total Other Financing Receipts (Disbursements)	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Cash Balance	30,180	12,394	-	42,574
Fund Cash Balances, January 1	<u>260,355</u>	<u>19,051</u>	<u>90,059</u>	<u>369,465</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	90,059	90,059
Restricted	-	31,445	-	31,445
Unassigned (Deficit)	290,535	-	-	290,535
Fund Cash Balances, December 31	<u>\$ 290,535</u>	<u>\$ 31,445</u>	<u>\$ 90,059</u>	<u>\$ 412,039</u>

See notes to financial statements.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2017**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 443,640
Total Operating Cash Receipts:	443,640
 Operating Cash Disbursements:	
Personal Services	115,091
Contractual Services	45,112
Supplies and Materials	39,165
Total Operating Cash Disbursements	199,368
 Operating Income	244,272
 Non-Operating Receipts/(Disbursements)	
Miscellaneous	1,625
Capital Outlay	(55,333)
Principal Retirement	(78,593)
Interest and Other Fiscal Charges	(3,315)
Total Non-Operating Receipts/(Disbursements)	(135,616)
 Net Change in Cash Fund Balance	108,656
 Fund Cash Balances, January 1	716,222
 Fund Cash Balances, December 31	\$ 824,878

See notes to financial statements.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. REPORTING ENTITY

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Clarington, Monroe County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, water/sewer services and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

Governmental Funds

General Fund

The General fund is the operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

Cemetery Operating Fund – This fund receives fees for opening cemetery plots and maintaining the cemetery.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government of its citizenry). The Village had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for maintaining and preserving Roy Parks park.

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.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain Agency Funds) be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investment as assets. This basis does not record disbursement for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Property, Plant, and Equipment

Acquisition of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2017 is as follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 40,000	\$ 91,568	\$ 51,568
Special Revenue	34,500	44,711	10,211
Enterprise	435,100	445,265	10,165
Total	\$ 509,600	\$ 581,544	\$ 71,944

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 110,000	\$ 61,388	\$ 48,612
Special Revenue	38,500	32,317	6,183
Enterprise	331,500	336,609	(5,109)
Total	\$ 480,000	\$ 430,314	\$ 49,686

Contrary to ORC 5705.41(D), the Village made expenditures without prior certification.

Contrary to ORC 5705.41(B), the Village’s Street Fund and Water Fund had expenditures greater than appropriations.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2017</u>
Demand Deposits	1,100,777
Certificates of Deposit	<u>136,140</u>
Total Deposits and Investments	<u><u>\$ 1,236,917</u></u>

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

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 make semiannual payment, the first half is due by December 31. The second half payment is due the following June 20.

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

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

7. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant's gross salaries. The Village has paid all contributions required through December 31, 2017.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

7. DEFINED BENEFIT PENSION PLAN (Continued)

Social Security

Some Village employee contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

8. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. DEBT

Debt outstanding at December 31, 2017, was as follows:

	2016 Principal	%
Ohio Public Works Commission Loan #CT65C	\$ 38,577	2.00
Ohio Public Works Commission Loan #CT69H	160,391	0.00
Total	\$ 198,968	

The Ohio Public Woks Commission (OPWC) loans relate to street resurfacing, a waterline extension for Sykes Ridge, and a water system replacement project. The loans will be repaid in semiannual installments over 20 years. The Village's taxing authority collateralized the loan relating to street resurfacing. Water receipts collateralize the loans relating to the waterline extension and water system replacement projects. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

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

Year Ending December 31	OPWC CT65C	OPWC CT69H
2018	\$ 6,855	\$ 12,338
2019	6,855	12,338
2020	6,855	12,338
2021	6,855	12,338
2022	6,855	12,338
2023-2027	6,855	61,689
2028-2032	-	37,012
	\$ 41,130	\$ 160,391

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts:				
Property Taxes	\$ 12,713	\$ -	\$ -	\$ 12,713
Intergovernmental	22,341	20,390	-	42,731
Charges for Services	75	6,698	-	6,773
Earnings on Investments	1,014	172	-	1,186
Miscellaneous	-	1,000	-	1,000
Total Cash Receipts	<u>36,143</u>	<u>28,260</u>	<u>-</u>	<u>64,403</u>
Cash Disbursements:				
Current:				
Public Health	-	7,595	-	7,595
Basic Utility Services	1,043	-	-	1,043
Transportation	-	13,115	-	13,115
General Government	54,283	-	-	54,283
Capital Outlay	21,830	-	-	21,830
Total Cash Disbursements	<u>77,156</u>	<u>20,710</u>	<u>-</u>	<u>97,866</u>
Net Change in Fund Cash Balance	(41,013)	7,550	-	(33,463)
Fund Cash Balances, January 1	<u>301,368</u>	<u>11,501</u>	<u>90,059</u>	<u>402,928</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	90,059	90,059
Restricted	-	19,051	-	19,051
Unassigned (Deficit)	260,355	-	-	260,355
Fund Cash Balances, December 31	<u>\$ 260,355</u>	<u>\$ 19,051</u>	<u>\$ 90,059</u>	<u>\$ 369,465</u>

See notes to financial statements.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2016**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 416,715
Total Operating Cash Receipts:	416,715
 Operating Cash Disbursements:	
Personal Services	116,668
Contractual Services	26,968
Supplies and Materials	62,299
Other	150
Total Operating Cash Disbursements	206,085
 Operating Income	 210,630
 Non-Operating Receipts/(Disbursements)	
Miscellaneous	2,794
Capital Outlay	(22,520)
Principal Retirement	(74,369)
Interest and Other Fiscal Charges	(3,156)
Total Non-Operating Receipts/(Disbursements)	(97,251)
 Net Change in Cash Fund Balance	 113,379
 Fund Cash Balances, January 1	 602,843
 Fund Cash Balances, December 31	 \$ 716,222

See notes to financial statements.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. REPORTING ENTITY

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Basis of Presentation

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**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanent Funds

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Basis of Accounting

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These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

Budgetary Process

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Appropriations

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**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investment as assets. This basis does not record disbursement for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Property, Plant, and Equipment

Acquisition of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2016 is as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 43,000	\$ 36,143	\$ (6,857)
Special Revenue	32,000	28,260	(3,740)
Enterprise	472,500	419,509	(52,991)
Total	\$ 547,500	\$ 483,912	\$ (63,588)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 110,000	\$ 77,156	\$ 32,844
Special Revenue	38,500	20,710	17,790
Enterprise	331,500	306,130	25,370
Total	\$ 480,000	\$ 403,996	\$ 76,004

Contrary to ORC 5705.41(D), the Village made expenditures without prior certification.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2016</u>
Demand Deposits	1,009,102
Certificates of Deposit	<u>76,585</u>
Total Deposits and Investments	<u><u>\$ 1,085,687</u></u>

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

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 make semiannual payment, the first half is due by December 31. The second half payment is due the following June 20.

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

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

7. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant's gross salaries. The Village has paid all contributions required through December 31, 2016.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

7. DEFINED BENEFIT PENSION PLAN (Continued)

Social Security

Some Village employee contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

8. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. DEBT

Debt outstanding at December 31, 2016, was as follows:

	2016 Principal	%
Ohio Water Development Authority #1519	\$ 57,337	7.45
Ohio Water Development Authority #1520	2,925	6.16
Ohio Public Works Commission Loan #CT65C	44,570	2.00
Ohio Public Works Commission Loan #CT69H	172,729	0.00
Total	\$ 277,561	

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

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

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

9. DEBT (Continued)

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

Year Ending December 31	OWDA 1519	OWDA 1520	OPWC CT65C	OPWC CT69H
2017	\$ 59,651	\$ 3,064	\$ 6,855	\$ 12,338
2018	-	-	6,855	12,338
2019	-	-	6,855	12,338
2020	-	-	6,855	12,338
2021	-	-	6,855	12,338
2022-2026	-	-	13,710	61,689
2027-2031	-	-	-	49,350
	<u>\$ 59,651</u>	<u>\$ 3,064</u>	<u>\$ 47,985</u>	<u>\$ 172,729</u>

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' 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, Ohio 43915-0215

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Clarington, Monroe County as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 18, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Village of Clarington's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2017-003, 2017-004 and 2017-005 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Clarington'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, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2017-001 and 2017-002.

Entity's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc.

Zanesville, Ohio

June 18, 2018

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Noncompliance – Expenditures Exceeding Appropriations

Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had the following funds that had expenditures greater than appropriations.

		Total	Total	
Fund	Year	Appropriations	Expenditures	Variance
Street	2017	20,000	23,474	(3,474)
Water	2017	226,000	242,209	(16,209)

We recommend Council review expenditures versus appropriations throughout the year and make any appropriate adjustment to stay in compliance with this requirement.

Client Response: We will monitor the appropriations and expenditures and make adjustments as needed.

FINDING NUMBER 2017-002

Noncompliance – Certification of Funds

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing authority 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.

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.

- 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 30 days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts 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 the expenditures by the Village.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-002 (Continued)

- Blanket Certificates. Fiscal officers may prepare “blanket” certificates if the Village has approved their use and established maximum amounts.
- Super Blanket Certificates. 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 reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called “super blanket” certificate may be outstanding at a particular time for any line item appropriation.

The Village did not certify the availability of funds prior to the purchase commitment for 100% of expenditures tested for 2017 and 2016. For these items the Village also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper code, to reduce available appropriations.

Client Response: We will begin to use the purchase order system, when we return to the Uniform Accounting Network (UAN) system.

FINDING NUMBER 2017-003

Material Weakness

The Village should have internal controls in place to reasonably assure that budgetary accounts are integrated 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 Clerk/Treasurer did not maintain a receipts or appropriations ledger. Therefore, budgeted receipts, and any amendments made to them, were not posted to a receipt ledger. Also, the Village Clerk/Treasurer did not post appropriations to an appropriation ledger. By not maintaining a receipts and appropriation ledger, Village Council does not have an effective system to monitor budget versus actual receipts and disbursements.

We recommend the Village Clerk/Treasurer maintain a receipt and appropriation ledger and record all estimated receipts per the Official Certificate of Estimated Resources and appropriations approved by Village Council. The Village Clerk/Treasurer should periodically present budget versus actual information to the Village Council. These procedures will help ensure more useful comparisons of budget versus actual activity, as well as provide management with accurate monitoring tools throughout the year.

Client Response: We will maintain proper ledgers once we return to the UAN system. Quickbooks does not have proper reports.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-004

Material Weakness

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 required.

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 that 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 may assemble and classify disbursements or expenditure/expenses 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 to 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.

The Village did not maintain a cash journal, receipt ledger, or appropriation ledger. Only a general ledger, deposit detail, and check detail report were maintained for both 2017 and 2016.

In addition, the Village Clerk/Treasurer did not use the proper receipt and expenditure classifications for the annual financial report. For example, estate tax receipts, local government monies, and auto registration fees should be classified as intergovernmental receipts. Expenditures for wages should be classified as personal services and trash and utility expenditures should be classified as basic utility service.

We recommend that the Village Clerk/Treasurer maintain a cash journal, receipt ledger, and appropriation ledger in accordance with the available authoritative resources and maintain the ledgers at the fund, function, object level of reporting. The receipt ledger and the appropriation ledger should be balanced with the cash journal on a monthly basis and used to prepare the year-end annual financial reports. The annual financial report should be presented using the proper receipt and expenditure classifications according to the Village Officer's Handbook (March 2017).

Client Response: We will maintain proper ledgers once we return to the UAN system. Quickbooks does not have proper reports.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-005

Material Weakness – Financial Reporting

All local offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village Officer's Handbook (Revised March 2017) provides suggested accounts classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village did not properly post all receipts and expenditures. Errors were made in recording various transactions. Amounts were not always posted to the correct fund and/or line item. The following reclassifications were made.

- In 2016, a reclassification was made in the amount of \$21,830 and \$1,043 from General Government to Capital Outlay and Basic Utility in the General Fund, respectively.
- In 2016, a reclassification was made in the amount of \$22,520 from Supplies and Materials to Capital Outlay in the Water Fund.
- In 2017, a reclassification was made in the amount of \$55,333 from Supplies and Materials to Capital Outlay in the Water Fund.
- In 2017, a reclassification was made in the amount of \$2,915 from Supplies and Materials to Contractual Services in the Water Fund.
- In 2017, a reclassification of \$445 from Interest to Principal Retirement in the Enterprise Funds.

Client Response: We will review postings and make sure they are posted to the correct account.

**VILLAGE OF CLARINGTON
MONROE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2015-001	ORC 5709.39 Appropriations exceeding estimated resources	Yes	Finding No Longer Valid
2015-002	ORC 5705.41(D) Ependitures made without prior certifications	No	Not Corrected Repeated as Finding 2017-002
2015-003	Material Weakness Budgetary accounts	No	Not Corrected Repeated as Finding 2017-003
2015-004	Material Weakness Public Office records, such as ledgers being used	No	Not Corrected Repeated as Finding 2017-004



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
AUGUST, 16 2018