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Marietta, OH 45750  
740.373.0056

1907 Grand Central Avenue  
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104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569



Certified Public Accountants, A.C.

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY  
Regular Audit**

**For the Years Ended December 31, 2014 and 2013**

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- Association of Certified Anti - Money Laundering Specialists •





# Dave Yost • Auditor of State

Village Council  
Village of Clarksville  
PO Box 167  
Clarksville, OH 45113

We have reviewed the *Independent Auditor's Report* of the Village of Clarksville, Clinton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2014. 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 Clarksville is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

October 28, 2016

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VILLAGE OF CLARKSVILLE  
CLINTON COUNTY

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## INDEPENDENT AUDITOR'S REPORT

August 19, 2016

Village of Clarksville  
Clinton County  
PO Box 167  
Clarksville, OH 45113

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 Clarksville**, Clinton County (the Village) as of and for the years ended December 31, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions 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 opinion.



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

As described in Note 1B 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 of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are 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 opinions on this accounting basis are in the *Additional Opinion Qualifications* and *Unmodified Opinions* paragraphs 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 as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

***Basis for Additional Qualified Opinions***

The accompanying financial statements for the year ended December 31, 2013 present receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires villages to classify receipt and disbursement transactions.

***Additional Opinion Qualifications***

In our opinion, except for omission of receipt and disbursement classifications matter discussed in the *Basis for Additional Qualified Opinions*, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Clarksville, Clinton County, Ohio, as of December 31, 2013 and its combined cash receipts and disbursements for the year 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 1.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Clarksville, Clinton County, Ohio, as of December 31, 2014, and its combined cash receipts and disbursements for the year then ended in accordance with the reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 14,512	\$ -	\$ 14,512
Intergovernmental	10,336	27,482	37,818
Special Assessments	-	11,761	11,761
Charges for Services	4,412	-	4,412
Miscellaneous	957	6,978	7,935
<i>Total Cash Receipts</i>	<u>30,217</u>	<u>46,221</u>	<u>76,438</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	647	3,405	4,052
Leisure Time Activities	-	6,486	6,486
Transportation	30	7,356	7,386
General Government	41,630	2,067	43,697
Capital Outlay	255	204	459
Debt Service:			
Principal Retirement	-	874	874
Interest and Fiscal Charges	-	177	177
<i>Total Cash Disbursements</i>	<u>42,562</u>	<u>20,569</u>	<u>63,131</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(12,345)</u>	<u>25,652</u>	<u>13,307</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Sources	25	-	25
Other Financing Uses	(1,198)	(409)	(1,607)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,173)</u>	<u>(409)</u>	<u>(1,582)</u>
<i>Net Change in Fund Cash Balances</i>	(13,518)	25,243	11,725
<i>Fund Cash Balances, January 1</i>	<u>(3,647)</u>	<u>65,308</u>	<u>61,661</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	90,551	90,551
Unassigned (Deficit)	(17,165)	-	(17,165)
<i>Fund Cash Balances, December 31</i>	<u><b>\$ (17,165)</b></u>	<u><b>\$ 90,551</b></u>	<u><b>\$ 73,386</b></u>

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

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Enterprise</b>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 363,868
<i>Total Operating Cash Receipts</i>	363,868
<b>Operating Cash Disbursements</b>	
Personal Services	30,857
Employee Fringe Benefits	4,722
Contractual Services	147,780
Supplies and Materials	22,614
Other	307
<i>Total Operating Cash Disbursements</i>	206,280
<i>Operating Income</i>	157,588
<b>Non-Operating Receipts (Disbursements)</b>	
Other Debt Proceeds	186,083
Capital Outlay	(200,596)
Principal Retirement	(55,860)
Interest and Other Fiscal Charges	(4,943)
Other Financing Sources	3,212
Other Financing Uses	(2,076)
<i>Total Non-Operating Receipts (Disbursements)</i>	(74,180)
<i>Net Change in Fund Cash Balances</i>	83,408
<i>Fund Cash Balances, January 1</i>	25,082
<i>Fund Cash Balances, December 31</i>	<b>\$ 108,490</b>

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 BALANCES (CASH BASIS)  
ALL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Unclassified Revenue	\$ 31,951	\$ 44,839	\$ 748,864	\$ 825,654
<i>Total Cash Receipts</i>	<u>31,951</u>	<u>44,839</u>	<u>748,864</u>	<u>825,654</u>
<b>Cash Disbursements:</b>				
Unclassified Expenditures	38,155	33,673	710,272	782,100
<i>Total Cash Disbursements</i>	<u>38,155</u>	<u>33,673</u>	<u>710,272</u>	<u>782,100</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(6,204)	11,166	38,592	43,554
<i>Fund Cash Balances, January 1</i>	<u>2,557</u>	<u>54,142</u>	<u>(13,510)</u>	<u>43,189</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ (3,647)</u></u>	<u><u>\$ 65,308</u></u>	<u><u>\$ 25,082</u></u>	<u><u>\$ 86,743</u></u>

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

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**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 contract with the Clinton County Sheriff's department to provide security of persons and property.

The Village participates in a jointly governed organization. Note 10 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 for 2013. 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits**

The Village's funds were deposited in a checking account with a local financial institution.

**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:

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**D. Fund Accounting (Continued)**

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for and report the proceeds from 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 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 the cost of providing this utility.

Sewer Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

**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. Appropriations lapse at year end.

**2. 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.

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**E. Budgetary Process (Continued)**

**3. 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 2014 and 2013 budgetary activity appears in Note 3.

**F. 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:

**1. Nonspendable**

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

**2. 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.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the 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.

**4. 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 the 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 resolution, or by State Statute.

**5. Unassigned**

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

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**F. Fund Balance (Continued)**

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and 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 classifications could be used.

**G. 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**

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

	2014	2013
Demand deposits	\$ 181,876	\$ 86,743
Total deposits	\$ 181,876	\$ 86,743

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation under FDIC limit.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 29,453	\$ 30,242	\$ 789
Special Revenue	39,034	46,221	7,187
Enterprise	385,399	553,163	167,764
Total	\$ 453,886	\$ 629,626	\$ 175,740

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 30,675	\$ 43,760	\$ (13,085)
Special Revenue	98,155	20,978	77,177
Enterprise	299,659	469,755	(170,096)
Total	\$ 428,489	\$ 534,493	\$ (106,004)

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 31,951	\$ 31,951
Special Revenue	-	44,839	44,839
Enterprise	-	748,864	748,864
Total	\$ -	\$ 825,654	\$ 825,654

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 38,155	\$ (38,155)
Special Revenue	-	33,673	(33,673)
Enterprise	-	710,272	(710,272)
Total	\$ -	\$ 782,100	\$ (782,100)

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, 2013. Also contrary to Ohio law, at December 31, 2014 the General Fund had a deficit balance of \$17,165 and the Waste Fund had a deficit balance of \$8,527, and at December 31, 2013, the General Fund had a deficit balance of \$3,647 and the Waste Fund had a deficit balance of \$4,736. Budgetary expenditures exceeded appropriations in the General, Sewer, and Waste Funds and appropriations exceeded estimated resources in the General and Waste Funds in 2014.

**4. DEBT**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest
OWDA Loan 3289	\$ 270,909	2.00%
OWDA Loan 6127	46,300	2.00%
OPWC Loan CJ04C	294,106	0.00%
OPWC Loan CJ21	738,358	0.00%
Skid Loader	19,182	3.76%
	\$ 1,368,855	

The Ohio Water Development Authority (OWDA) loan #3289 relates to the wastewater treatment plant project. The OWDA approved \$780,427 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$24,222 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 ODWA debt service requirements.



**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**4. DEBT (Continued)**

The ODWA loan #6127 relates to a 2012 wastewater force main repair project. ODWA approved up to \$114,130. 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 loan was scheduled to be repaid over 30 years at 2%. The revised amortization schedule states the loan will be repaid in semi-annual installments of \$1,077. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover ODWA 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 semi-annual installments of \$21,008, 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 CJ21P 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, 2014 the Village had drawn \$738,360 of the available funds. The loan will be repaid in semi-annual installments over 30 years beginning January 1, 2015. The loan is collateralized by water and sewer receipts.

The OPWC loan EV0428 was issued in 1993 relating to the water works improvement. The loan was retired in 2013.

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 1, 2012. Yearly payments of \$19,372 are being made to the Water Fund. Statements indicated a loan balance of \$15,596, however, the loan balance was actually paid off in 2012.

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 a final loan payment due June 1, 2018.

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

Year ending December 31:	OWDA 3289	OWDA 6127	OPWC CJ04C	OPWC CJ21P	Skid Loader
2015	\$ 48,444	\$ -	\$ 42,015	\$ 24,612	\$ 5,255
2016	48,444	1,077	42,015	24,612	5,255
2017	48,444	2,154	42,015	24,612	5,255
2018	48,444	2,154	42,015	24,612	5,255
2019	48,444	2,154	42,015	24,612	-
2020-2024	48,444	10,770	84,031	123,060	-
2025-2029	-	10,770	-	123,060	-
2030-2034	-	10,770	-	123,060	-
2035-2039	-	10,770	-	123,059	-
2040-2044	-	6,462	-	123,059	-
Total	<u>\$ 290,664</u>	<u>\$ 50,619</u>	<u>\$ 294,106</u>	<u>\$ 738,358</u>	<u>\$ 21,020</u>

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. 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.

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

**7. RETIREMENT SYSTEMS**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. 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 2014 and 2013, 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, 2014.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**9. CONTINGENT LIABILITIES**

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

**10. JOINTLY GOVERNED ORGANIZATION**

The constitution and laws of the State of Ohio establish the right 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 with 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, and Adams Township of Clinton County, and Washington Township of Warren County. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**11. SUBSEQUENT EVENTS**

In accordance with Ohio Revised Code Chapter 118, the Village was placed under fiscal emergency by the Auditor of State on September 15, 2015, due to a deficit cash fund balance in the General Fund at December 31, 2013 and December 31, 2014. As of December 31, 2014, the Village's General Fund has a balance of \$(17,165). Adjustments from the 2012-2011 audit were made in 2015, creating a larger fund balance deficit. As of July 31, 2016, the Village had the following outstanding balances:

<b>Vendor</b>	<b>Amount Outstanding</b>
Western Water	\$553,939
Auditor of State	\$15,326
Rumpke	\$2,488

The Village started collecting a 1% income tax as of July 1, 2016. The Village is also in negotiation with Western Water to resolve the large outstanding balance and is considering several options.



428 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

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

August 19, 2016

Village of Clarksville  
Clinton County  
PO Box 167  
Clarksville, OH 45113

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 cash balances, receipts, and disbursements by fund type of the **Village of Clarksville**, Clinton County (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated August 19, 2016, 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. We qualified our opinion on the financial statements for 2013 because the Village did not classify receipts and disbursements as required by Ohio Administrative Code Section 117-2-02(A).

**Internal Control Over Financial Reporting**

As part of our financial statement audit, we considered the Village'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.

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 Township'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider audit findings 2014-001 through 2014-003, 2014-005 through 2014-006, and 2014-009 through 2014-012 to be material weaknesses.



**...“bringing more to the table”**

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- Association of Certified Anti - Money Laundering Specialists •



### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2014-001 and 2014-003 through 2014-009.

### **Entity's Response to Findings**

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

### **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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

VILLAGE OF CLARKSVILLE  
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

**Noncompliance/Material Weakness**

**Ohio Administrative Code § 117-2-01** states:

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.

"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.
- (B) 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

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-001 (CONTINUED)**

**Noncompliance/Material Weakness (Continued)**

- (C) 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.

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-001 (CONTINUED)**

**Noncompliance/Material Weakness (Continued)**

- 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.

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 accounting system did not integrate budgetary accounts, at the legal level of control, into the accounting system in 2013, nor did the Village utilize purchase orders in 2013 or 2014.
- The cash journal did not include account numbers necessary to properly classify transactions or reconcile fund balances in 2013.
- The Village did not have appropriation ledgers in 2013.
- 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 Village did not provide employees master files, which includes withholding information for the audit.
- 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.
- The Village did not maintain documentation to support adjustments to utility accounts in 2013.
- Only one employee has access to utility billings, adjustments, and payment postings, lacking segregation of duties.
- The Village has a lack of controls and had no written policy to communicate enforcement of integrity and ethical values.
- Dual signatures missing from check disbursements.

The risk of misappropriation of assets, fraud, or abuse without detection is increased when internal controls have not been implemented.



**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-001 (CONTINUED)**

**Noncompliance/Material Weakness (Continued)**

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 financial reporting deficiencies and noncompliance and Village should seek advice from statutory legal counsel, the Auditor of State Local Government Services, and other qualified sources when needed.

**Officials' Response:**

The Village started converting from manual records to the Auditor of State's Uniform Accounting System (UAN) in September 2014. 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 UAN system. Payroll was converted into UAN as of January 1, 2014 so all reports, register etc. are available. Detailed time sheets were started in June 2014.

**FINDING NUMBER 2014-002**

**Material Weakness**

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

- The list of reconciling items includes checks that have been outstanding for more than a year totaling \$14,335 in 2014.

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 a lack of 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. The outstanding amount was moved to an Unclaimed Monies Fund in 2016.

VILLAGE OF CLARKSVILLE  
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-003

**Noncompliance/Material Weakness**

**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.

The Village had deficit fund balances which indicate that other restricted funds were used to pay the obligations of the negative fund.

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.

The Village had a deficit fund balance for the General Fund of \$(17,165) and \$(3,647) and the Waste Fund of \$(8,527) and \$(4,736) in 2014 and 2013, respectively.

The following adjustments are repropounded from the prior audit report for the following funds: 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. The adjustments were made to the accounting system in 2015.

**Officials' Response:** We did not receive a response from management.

VILLAGE OF CLARKSVILLE  
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-004

**Noncompliance**

**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 2013 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 2014-005

**Noncompliance/Material Weakness**

**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.

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 \$29,046 and the Water fund balance was \$84,063. The Village had an outstanding bill for water purchased for resale totaling \$553,939 owed by the water fund.

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.

VILLAGE OF CLARKSVILLE  
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-005 (Continued)

**Noncompliance/Material Weakness (Continued)**

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:** We did not receive a response from management.

FINDING NUMBER 2014-006

**Noncompliance/Material Weakness**

**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. The Village was unable to determine amounts of deposits or which fund the amounts were receipted into prior to 2014. The utility system, UMS, has records of deposits from 2009 and on. Refunds are paid from the Water Fund if the UMS system has record of a deposit.

FINDING NUMBER 2014-007

**Noncompliance**

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.

VILLAGE OF CLARKSVILLE  
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-007 (CONTINUED)

**Noncompliance (Continued)**

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.

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.

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.

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.

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 in 2013.

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 2014-008

**Noncompliance**

**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.

VILLAGE OF CLARKSVILLE  
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-008 (CONTINUED)

Noncompliance (Continued)

- 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.
- 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 Revised Code, § 5705.41(B)**, prohibits a subdivision from making an expenditure unless it has been properly appropriated.

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-008 (CONTINUED)**

**Noncompliance (Continued)**

**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.
- 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.

VILLAGE OF CLARKSVILLE  
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-008 (CONTINUED)

Noncompliance (Continued)

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 2013 certificate of estimated resources with the county auditor.
- The Village did not file the 2013 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 2013.
- The Village did not use the encumbrance method of accounting in 2013 or 2014.
- Expenditures were not certified by the fiscal officer after March of 2013.
- Appropriations exceeded estimated resources for the General and Waste Funds in 2014.
- Expenditures exceeded estimated resources for the General, Sewer Operating, and Waste Funds in 2014.

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

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.



**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-009**

**Noncompliance/Material Weakness**

**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 started using again in 2014. The Village continued to pay for UAN services even though they stopped using the software, which could be considered an improper use of public funds.

**Officials’ Response:** We did not receive a response from management.

**FINDING NUMBER 2014-010**

**Material Weakness**

Adequate records were not maintained to support noncash adjustments made to customer accounts by the Village in 2013. No meeting minutes were taken for Water Committee meetings in 2013. Accounts in question were researched with Water Committee members and Village Council. Although several accounts were adjusted in 2013 without documentation, the adjustments were confirmed as acceptable with the Water Committee members. Failure to properly document and approve adjustments to customer accounts could result in theft of utility service.

To improve all accountability over receipts and adjustments, the Village should adopt policies and procedures for the following:

- A system for initiating and making non-cash 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 non-cash 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 presented by the Water Committee 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.

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-010 (Continued)**

**Material Weakness (Continued)**

- Adjustments approved by the Water Committee should be documented in meeting minutes; Water Committee meeting minutes should be read at the following Council Meeting and any adjustments recommended by the Water Committee be formally approved by Council.

We also noted several water bills with very high balances. Most of these balances had a signed repayment plan in place. The late fees continue to accumulate on the bill until the repayment plan is paid in full at which time the late fees are adjusted off of the account by the Village Administrator. Per Village policy, if there is no repayment plan in place and the balance of the account is over \$250, water service should be disconnected until the account balance is below \$250 or a repayment plan is in place. This policy was not strictly adhered to during the audit period; some accounts were over \$250 and water service was not disconnected. It was also noted some accounts were not paid monthly, even though bills were mailed monthly. Not paying the monthly bill made some accounts over the \$250 on a regular basis and water service was not disconnected.

We recommend Village policies for utility services be evaluated and followed as approved.

**Officials' Response:** As of June 27, 2016, Ordinance Number 2016-8 was passed, stating any utility billed amount not paid within 10 days after the due date will result in water shutoff, with some exceptions to be approved by Council.

**FINDING NUMBER 2014-011**

**Material Weakness**

**Posting Receipts and Disbursements**

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Village Handbook and other Auditor of State resources.

During 2014 and 2013, receipts, disbursements and fund balances were not always posted or classified correctly. The following errors were noted:

- Workers compensation was recorded in other financing sources instead of miscellaneous.
- Fund Balance Adjustments made to 2014 beginning balances to agree to 2013 ending balances as correct fund balances were unavailable for 2012 ending balances until after the 2012-2011 audit was complete in 2015.
- OWDA loan proceeds and disbursements were not recorded in the Village's accounting system.
- Heritage Festival account was not included in the Village's accounting system and fund balances were adjusted accordingly.

Not posting revenues and disbursements accurately resulted in the financial statements requiring several reclassifications. The accompanying financial statements reflect all reclassifications.

VILLAGE OF CLARKSVILLE  
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-011 (Continued)

**Material Weakness (Continued)**

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook and other Auditor of State Resources for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

**Officials' Response:** We did not receive a response from management.

FINDING NUMBER 2014-012

**Noncompliance/Material Weakness**

**Heritage Festival Account**

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" rest with the judgement of the government 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 sponsored a Heritage Festival annually. Donations from Village residents were collected and deposited in a checking account in the Village's name and using the Village's tax EIN. This account was not included in the Village's accounting system. There were no assurances the total amount of donations was deposited into the checking account due to lack of documentation. Expenses to finance the festival were made from the checking account. Disbursements were made and audited after receiving all bank statements for the account for 2015, 2014 and 2013. Unsupported disbursements totaled \$695, \$753 and \$1,927 in 2015, 2014 and 2013, respectively. Details of the disbursements determined to not be for a "proper public purpose" follow:

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-012 (Continued)**

**Noncompliance/Material Weakness (Continued)**

<b>Check Date</b>	<b>Check Number</b>	<b>Amount</b>	<b>Payee</b>	<b>Description</b>
2/27/2015		\$202.50	ATM Withdrawal – Clarksville, OH	No Description
3/16/2015		102.50	ATM Withdrawal – Clarksville, OH	No Description
3/17/2015	Debit	43.74	Staples	No Description
3/23/2015	Debit	18.97	Kroger	No Description
3/25/2015		202.50	Withdrawal – Clarksville, OH	No Description
4/3/2015	Debit	18.10	Spaghetti Warehouse	No Description
4/6/2015	Debit	107.10	Website.com	No Description
4/6/2015		3.21		International Transaction Fee
4/16/2015	Debit	54.75	Post Office USPS	Stamps
		<b>\$753.37</b>		

<b>Check Date</b>	<b>Check Number</b>	<b>Amount</b>	<b>Payee</b>	<b>Description</b>
1/15/2014	Debit	\$34.19	Walmart	No Description
6/4/2014	Debit	193.50	Rumpke Consolidate	No Description
6/20/2014	Debit	145.85	Crown Awards, Inc.	No Description
6/25/2014	Debit	48.95	A to Z Printing	No Description
6/26/2014	Debit	69.92	Sam's Club	No Description
7/10/2014		202.25	ATM Withdrawal – Clarksville, OH	No Description
		<b>\$694.66</b>		

<b>Check Date</b>	<b>Check Number</b>	<b>Amount</b>	<b>Payee</b>	<b>Description</b>
6/12/2013	Debit	\$113.18	A to Z Printing	No Description
6/25/2013	1091	83.51	Staples	No Description
6/28/2013	Debit	27.66	Party City	No Description
6/28/2013	Debit	146.59	Big Lots	No Description
6/26/2013	1096	200.00	Imagine That Party Supply	No Description
6/29/2013	1101	200.00	Tom Fortner	No Description
6/29/2013	1102	350.00	Danny Crawford	Clarksville Heritage Days
7/4/2013	1105	200.00	Sarah Sexton	Queen Contest
7/8/2013		202.25	ATM Withdrawal – Clarksville, OH	No Description
7/14/2013	1106	100.00	Courtney McLaren	Prize Raffle
7/15/2013	1107	200.00	Keith Kollar	Raffle Prize
7/15/2013	Debit	1.53	Lowe's	No Description
9/3/2013		102.75	ATM Withdrawal - E. Lafayette, IN	No Description
		<b>\$1,927.47</b>		

VILLAGE OF CLARKSVILLE  
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-012 (Continued)

**Noncompliance/Material Weakness (Continued)**

Because this checking account is in the Village's name and uses the Village's EIN, we have adjusted the financial statements to include the account activity as a special revenue fund. The Village has made the adjustment to the accounting system.

We recommend Village management and Council review the purpose for this account, and determine if it is truly an account of the Village or if it the Festival is a separate outside entity. If Village management and Council determine the Festival is not part of the Village, the account should be closed and the funds returned to Festival officials. If it is determined the account belongs with the Village, controls should be established to safeguard the funds and all activity should be included in the Village accounting system.

**Ohio Auditor of State Bulletin 2016-003** has noted no authority under Ohio law [is] to use a credit card, debit card, procurement card, payment card, or fleet card to withdraw cash from a financial transaction device or automated teller machine (ATM), or to obtain cash (back) in a credit card transaction. As noted in the table above, a debit card was used for several ATM cash withdrawals.

We recommend the Village management and Council prohibit the use of debit cards for all accounts in the Village's name.

**Officials' Response:** We did not receive a response from management.

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2012-001	Ohio Administrative Code 117-2-01 Ohio Administrative Code 117-2-02	No	Partially Corrected; Repeated in Finding 2014-001
2012-002	Internal Control	No	Partially Corrected; Repeated in Finding 2014-002
2012-003	Ohio Revised Code Section 733.28	No	Partially Corrected; Repeated in Finding 2014-011
2012-004	Ohio Revised Code Section 5705.10	No	Partially Corrected; Repeated in 2014-003
2012-005	Ohio Revised Code Section 117.38	No	Partially Corrected; Repeated in Finding 2014-004
2012-006	OPWC agreement noncompliance	No	Partially Corrected; Repeated in Finding 2014-005
2012-007	Ohio Revised Code Section 149.351(A)	No	Partially Corrected; Repeated on Finding 2014-001
2012-008	Ohio Revised Code Section 5705.09(F)	No	Not Corrected; Repeated in Finding 2014-006
2012-009	Ohio Revised Code Section 9.38	Yes	N/A
2012-010	Internal Control – GASB 54	No	Partially Corrected; Repeated in Finding 2014-007
2012-011	Ohio Revised Code Section 5705.36(A), 5705.38(A), 5705.39, 5705.41(D)(1)	No	Partially Corrected; Repeated in Finding 2014-008
2012-012	Internal Control – Public Purpose Expenditures	No	Partially Corrected; Repeated in Finding 2014-009
2012-013	Ohio Revised Code Section 705.27	Yes	N/A
2012-014	Internal Control – Utility Adjustments	No	Not Corrected; Repeated in Finding 2014-010
2012-015	Ohio Revised Code Section 121.22(C) Ohio Revised Code Section 731.20	Yes	N/A
2012-016	Ohio Revised Code Section 149.43(E)(1)	Yes	N/A



# 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  
NOVEMBER 10, 2016