



**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF CLARKSVILLE
CLINTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Cash Receipts, Unclassified Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	3
Combined Statement of Cash Receipts, Unclassified Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type – For the Year Ended December 31, 2000	4
Notes to the Financial Statements	5
Schedule of Federal Awards Expenditures	11
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	15
Schedule of Findings	17

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INDEPENDENT ACCOUNTANTS' REPORT

Village of Clarksville
Clinton County
P.O. Box 206
Clarksville, Ohio 45113

To the Village Council:

We have audited the accompanying financial statements of the Village of Clarksville, Clinton County, Ohio (the Village), as of and for the year ended December 31, 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements present disbursements by fund type only, rather than by disbursement program or object. The Auditor of State requires financial statements to classify disbursements by program or object.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the omission of disbursement classifications by program or object, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Village, taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management, Council, federal awarding agency and pass-through entity, and any official authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 21, 2001

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$12,043	\$3,530	\$15,573
Special Assessments	0	6,255	6,255
Intergovernmental Receipts	20,194	31,459	51,653
Charges for Services	0	89,000	89,000
Donations	0	14,257	14,257
Earnings on Investments	3,209	99	3,308
Unclassified	1,524	10,713	12,237
	<u>36,970</u>	<u>155,313</u>	<u>192,283</u>
Cash Disbursements:			
Unclassified	36,453	144,673	181,126
	<u>36,453</u>	<u>144,673</u>	<u>181,126</u>
Total Receipts Over/(Under) Disbursements	517	10,640	11,157
Other Financing Receipts/(Disbursements):			
Sale of Fixed Assets	0	9,000	9,000
	<u>0</u>	<u>9,000</u>	<u>9,000</u>
Total Other Financing Receipts/(Disbursements)	0	9,000	9,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	517	19,640	20,157
Fund Cash Balances, January 1	20,327	147,379	167,706
Fund Cash Balances, December 31	<u>\$20,844</u>	<u>\$167,019</u>	<u>\$187,863</u>

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$163,469
Unclassified	2,800
Total Operating Cash Receipts	166,269
Operating Cash Disbursements:	
Unclassified	162,794
Total Operating Cash Disbursements	162,794
Operating Income/(Loss)	3,475
Non-Operating Cash Receipts:	
Intergovernmental Receipts	1,141,582
Total Non-Operating Cash Receipts	1,141,582
Non-Operating Cash Disbursements:	
Capital Outlay	561,717
Unclassified	449,586
Total Non-Operating Cash Disbursements	1,011,303
Net Receipts Over/(Under) Disbursements	133,754
Fund Cash Balances, January 1	58,704
Fund Cash Balances, December 31	\$192,458
Reserve for Encumbrances, December 31	\$1,854

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Clarksville, Clinton County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water, sewer and waste utilities. The Village contracts with the Clinton County Sheriff's department to provide security of persons and property.

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

B. Basis of Accounting

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

The Village prepared unclassified financial statements for disbursements for the year ended December 31, 2000. This presentation is a material departure from the presentation prescribed by the Auditor of State in Ohio Administrative Code, Section 117-02 (effective 7/1/00) and the Ohio Administrative Code, Section 117-5-05, 06 and 08 (effective until 6/30/00). These sections of the Ohio Administrative Code require disbursements to be classified by program or object.

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

C. Cash and Deposits

During 2000, the Village's funds were deposited in a checking account with a local commercial bank.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Fire and Rescue Fund - This fund receives proceeds from the tax levy and proceeds from contracts with other governmental entities to provide fire and ambulance services.

3. 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 Fund:

Water 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 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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated. Contrary to Ohio Revised Code, the Village did not encumber all commitments. However, a review was conducted of commitments at year-end and material commitments that should have been recorded at year-end were added to the financial statements as Reserves for Encumbrances.

A summary of 2000 budgetary activity appears in Note 3.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND DEPOSITS

The Village maintains a cash and deposits 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:

	2000
Demand deposits	\$ 380,321

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

At December 31, 2000, \$280,321 of deposits were not insured or collateralized, contrary to Chapter 135, Ohio Revised Code. The Village did not have a depository agreement after October 7, 1999 or collateral statements for their monies on deposit during 2000.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2000 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 30,770	\$ 36,970	\$ 6,200
Special Revenue	122,684	164,313	41,629
Enterprise	1,255,400	1,307,851	52,451
Total	\$ 1,408,854	\$ 1,509,134	\$ 100,280

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 50,207	\$ 36,453	\$ 13,754
Special Revenue	214,060	144,673	69,387
Enterprise	1,311,131	1,175,951	135,180
Total	\$ 1,575,398	\$ 1,357,077	\$ 218,321

Contrary to Ohio law, estimated receipts exceeded actual receipts by \$393,898 in the Sewer Fund.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
OWDA Loan # 547	\$ 246,815	2.20%
OWDA Loan #EV0428	24,818	0%
Fire Truck Lease Purchase Agreement	43,922	5.85%
Ambulance Lease Purchase Agreement	26,315	5.60%
Squad Lease	62,845	6%
Total	\$ 404,715	

The Ohio Water Development Authority (OWDA) loan #547 relates to the wastewater treatment plant project. The OWDA has approved up to \$746,808 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$23,179, including interest, over 20 years. The scheduled payment amount below assumes that \$746,808 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OWDA loan #EV0428 was issued in 1993 relating to the water works improvements. This was secured by the revenues.

The Fire Truck Lease Purchase Agreement was entered into in 1997, when the 1994 fire truck bond anticipation notes were converted to a lease purchase agreement with Fifth Third Bank, which retains a security interest in and to all rights, title, and interest in and to the equipment.

The Ambulance Lease Purchase Agreement was entered into in 1998 with Leasing One Corporation, a division of Farmers Bank and Capital Trust Company, which retains a security interest in and to all rights, title, and interest in and to the equipment.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

5. DEBT (Continued)

The Squad Lease was entered into in April 2000 with Leasing One Corporation, a division of Farmers Bank and Capital Trust Company, which retains a security interest in and to all rights, title, and interest in and to the equipment.

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

Year ending December 31:	OWDA Loan #547	OWDA Loan #EV0428	Fire Truck	Ambulance	Squad
2001	\$ 38,307	\$ 1,985	\$ 23,590	\$ 13,716	\$ 18,144
2002	38,307	1,985	23,590	13,716	18,144
2003	38,307	1,985	0	0	18,144
2004	38,307	1,985	0	0	18,144
2005	38,307	1,985	0	0	0
Subsequent	<u>243,027</u>	<u>14,893</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 434,562</u>	<u>\$ 24,818</u>	<u>\$ 47,180</u>	<u>\$ 27,432</u>	<u>\$ 72,576</u>

6. RETIREMENT SYSTEMS

The Village's officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 10.84% of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

8. OTHER NONCOMPLIANCE

Contrary to Ohio Revised Code, Section 9.38, the Village failed to deposit money collected every 24 hours.

Contrary to Ohio Revised Code, Section 5705.09, the Village failed to establish an Issue II fund.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

8. OTHER NONCOMPLIANCE (Continued)

Contrary to OHCP Section (A)(3)(f), the Village failed to expend Federal funds within 15 days of drawing down.

The Village prepared unclassified financial statements for disbursements for the year ended December 31, 2000. This presentation is a material departure from the presentation prescribed by the Auditor of State in Ohio Administrative Code, Section 117-02-02 (effective 7/1/00) and Ohio Administrative Code, Section 117-5-05, 06 and 08 (effective until 6/30/00). These sections of the Ohio Administrative Code require disbursements to be classified by program or object.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2000**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
<i>Passed Through Ohio Department of Development</i>		
Community Block Development Grant	14.228	348,110
		348,110
Total U.S. Department of Housing and Urban Development		348,110
Total		\$348,110

The accompanying notes to this schedule are an integral part of this schedule.

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Village of Clarksville
Clinton County
P.O. Box 206
Clarksville, Ohio 45113

To the Village Council:

We have audited the accompanying financial statements of the Village of Clarksville, Clinton County, Ohio (the Village), as of and for the year ended December 31, 2000, and have issued our report thereon dated August 21, 2001 which was qualified since the Village did not classify disbursements in the manner prescribed by the Auditor of State. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-30414-001 through 2000-30414-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 21, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely effect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2000-30414-001, 2000-30414-002, and 2000-30414-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2000-30414-001 and 2000-30414-002 to be material weaknesses.

Village of Clarksville
Clinton County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

This report is intended for the information and use of the management, Council, the federal awarding agency and the pass-through entity, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 21, 2001



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of Clarksville
Clinton County
P.O. Box 206
Clarksville, Ohio 45113

To the Village Council:

Compliance

We have audited the compliance of the Village of Clarksville, Clinton County, Ohio (the Village), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended December 31, 2000. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended December 31, 2000. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying schedule of findings as item 2000-30414-007.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Village of Clarksville
Clinton County
Report on Compliance with Requirements Applicable to Each Major
Federal Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, Council, federal awarding agency and pass-through entity, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 21, 2001

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2000**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	CDBG : CFDA # 14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: \$300,000 - N/A Type B: all programs
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2000-30414-001

Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 5705.41(D), prohibits a subdivision or taxing unit from making any contract or giving any order involving the disbursement of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides two exceptions to the above requirement:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000, the Clerk-Treasurer may authorize payment through a Then and Now Certificate without affirmation of Council, if such expenditure is otherwise valid.

The availability of funds was not certified for 99% of the Village's commitments. Purchase orders are used to ensure that the funds are available and not already "set aside" to be spent, and aids in helping to prevent negative appropriation balances. Purchase orders should be completed before an expenditure is made.

FINDING NUMBER 2000-30414-002

Material Noncompliance/Material Weakness

The Village's fiscal officer did not maintain an accurate receipt ledger or appropriation ledger.

Ohio Rev. Code, Section 733.28, requires the Clerk to keep the books of the Village, exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and the income derived.

Prior to 7/1/00, Ohio Rev. Code, Section 117.43, authorized the Auditor of State to prescribe by rule, requirements for accounting and financial reporting for public offices other than state agencies. The Auditor of State had prescribed a uniform accounting system for Villages which is set forth in Ohio Admin. Code, Chapter 117-5, as follows:

- Sections 117-5-04 and 07 establish guidelines for the proper coding and classification of Village receipts. The Village did not always proper code and classify receipts. However, the financial statements have been adjusted to code and classify receipts in accordance with these sections.

FINDING NUMBER 2000-30414-002
(Continued)

- Sections 117-5-05, 06, and 08 establish guidelines for the proper coding and classification of Village disbursements. The Village did not always properly code and classify disbursements.
- Section 117-5-10 requires that a Village post to each receipts account the estimated amount of monies to be received into the account as specified by the County budget commission. It also provides that receipts shall be entered in the "Amount Received" column and in the "Credit" column and subtracted from the budget estimate amount ("Balance"). The Village did not maintain a complete receipt ledger during 2000.
- Section 117-5-11 requires the Village to maintain an appropriation ledger in a complete and accurate form, as prescribed. The Village did not maintain a complete, accurate, and reliable appropriation ledger during 2000.
- Section 117-5-13 provides that each Village use purchase orders, as prescribed, for all expenditures. The Village did not use purchase orders for all expenditures during 2000.
- Section 117-5-14 provides that the date, purchase order number, amount, and other required information shall be entered in the space or column provided on the (voucher) form prescribed in paragraph (C) of this rule. The Village did not list purchase orders on their voucher packages and an appropriation code was not utilized on the voucher.

After 7/1/00, Ohio Admin. Code, Section 117-2-02, sets forth the accounting and reporting records that all local public offices shall maintain. 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. The accounting records that all public offices should maintain 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.
3. Appropriation ledger, which may assemble and classify disbursements or expenditures/expenses into separate accounts, for, at a minimum, each account listed in the appropriation resolution.

Failure to use these ledgers to monitor activity could result in budgetary law violations. Budgetary variances should be monitored through the year, and amended certificates and appropriation modifications should be obtained when necessary.

Maintaining the above-mentioned ledgers will help to provide accurate and complete financial information for management to use in the decision making process. It will also assist in the preparation of the Village's annual financial reports.

FINDING NUMBER 2000-30414-002
(Continued)

We recommend the Village maintain receipt and appropriation ledgers, as prescribed by the Ohio Admin. Code. Encumbrances and disbursements should be posted to the appropriation ledger resulting in declining unencumbered balances. Receipts should be posted by fund and source, with a running balance maintained. Receipts received and checks written should be posted in chronological and numerical order. At year-end, the totals from these ledgers should be carried forward to the annual financial report.

FINDING NUMBER 2000-30414-003

Material Noncompliance

Ohio Rev. Code, Section 5705.09(F), requires the Village to establish a special fund for each class of revenue derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure, and anticipated expenditures should be included in the Village appropriations. The State made payments of "Issue II" monies to contractors on behalf of the Village. The Village did not record the monies paid on their books to properly account for these monies. The financial statements have been adjusted to reflect the receipts and disbursements associated with these Issue II monies for 2000. Guidance on the accounting treatment for these types of transactions is set forth in MAS Bulletin 89-17 and Auditor of State Bulletin 2000-008.

FINDING NUMBER 2000-30414-004

Material Noncompliance

Ohio Rev. Code, Section 9.38, states public money must be deposited with the treasurer of the public office or to a designated depository on the business day of the receipt, if the total amount of such moneys received exceeds \$1,000. If the total amount does not exceed \$1,000, the public official has the option of either depositing the money on the next business day following the day of receipt or adopting a policy permitting a different time period. The alternate time period, however, shall not exceed three business days following the day of receipt. Further, the policy must include procedures to safeguard the money until the time of deposit. During testing, it was noted that 44% of donations received and 77% of utility receipts were not deposited timely.

FINDING NUMBER 2000-30414-005

Material Noncompliance

Ohio Rev. Code, Section 5705.36, provides, in part, that upon the determination by a Clerk that the revenue to be collected by the Village will be less than the amount included in the current certificate, the Clerk shall certify the amount of the deficiency to the budget commission, and if the commission determines that the Clerk's certification is reasonable, the commission shall certify an amended official certificate reflecting the reduction. The Village did not certify the deficiency in the Sewer Fund in the amount of (\$393,898).

FINDING NUMBER 2000-30414-006

Reportable Condition

The small size of the Village staff does not allow for an adequate segregation of duties. The Clerk processes all the financial record keeping including receipting, posting, and reconciling to the depository. Bookkeeping errors may occur without the detection of management. It is, therefore, important that the Council monitor financial activity.

We believe the following conditions indicate a need for increased oversight of management by the Village:

- The annual appropriation resolution did not foot to the totals shown on the appropriation form. The Council's resolution adopting the appropriations did not contain any amounts, so it is assumed that the actual total of the individual appropriations were adopted, and not the incorrect amount shown. The appropriations form should be footed to assure that the totals are correct before adoption by the Council, and the Council resolution include at least fund totals.
- The Village was making payments to the Auditor of State for usage of the Uniform Accounting Network (UAN) during the audit period, but was not using the system. The Village should begin using the UAN system to help clear up the common errors noted when using a manual system, since they are already paying for it.
- The cashbook does not agree to the receipts and appropriation ledgers. All items were posted to the cashbook, but did not get posted to the receipts and appropriation ledgers. Individual fund balances were not carried in the cashbook, just receipts and disbursement totals by month. Fund balances should be carried throughout the cashbook and used in the monthly reconciliations.
- The annual financial report does not tie within itself. The individual fund worksheets do not tie to the appropriation or receipts ledgers, and the individual fund worksheets do not carry forward to the combining or combined statements in the financial report.

To maintain continuing accountability and to strengthen internal accounting controls, officials should periodically review the records to determine accuracy and to assure themselves that proper procedures are followed by the fiscal officer. For each regular Council meeting, the Clerk should provide Council members with detailed budget and actual financial statements, cash balances, checks paid, outstanding encumbrances, and bank reconciliations. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer.

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2000-30414-007

Fifteen Day Rule - Compliance

Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3)(f), states that grantees must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum draw downs are not permitted.

The Village disbursed the CDBG funds received averaging \$125,000 on an average of 41.5 days after receipt. We recommend the Village monitor grant funds and limit the draw downs to amounts that will enable the Village to disburse funds within fifteen days.



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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
OCTOBER 2, 2001**