



Mary Taylor, CPA  
Auditor of State



VILLAGE OF CLARKSVILLE  
CLINTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Enterprise Funds - For the Year Ended December 31, 2006.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Enterprise Funds - For the Year Ended December 31, 2005.....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings .....	21

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Mary Taylor, CPA  
Auditor of State

Village of Clarksville  
Clinton County  
130 Springhill Road  
Clarksville, Ohio 45113

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

December 12, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Clarksville  
Clinton County  
130 Springhill Road  
Clarksville, Ohio 45113

To the Village Council:

We have audited the accompanying financial statements of Village of Clarksville, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Clarksville, Clinton County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

December 12, 2007



**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, 2006**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$12,592	\$2,688	\$15,280
Intergovernmental	19,344	28,550	47,894
Special Assessments	0	7,822	7,822
Charges for Services	3,450	0	3,450
Earnings on Investments	2,267	70	2,337
Miscellaneous	111	0	111
Total Cash Receipts	37,764	39,130	76,894
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	6,600	6,796	13,396
Transportation	0	34,540	34,540
General Government	28,362	0	28,362
Debt Service:			
Redemption of Principal	0	9,402	9,402
Interest and Fiscal Charges	0	1,575	1,575
Total Cash Disbursements	34,962	52,313	87,275
Total Receipts Over/(Under) Disbursements	2,802	(13,183)	(10,381)
Fund Cash Balances, January 1	5,784	102,604	108,388
<b>Fund Cash Balances, December 31</b>	<b>\$8,586</b>	<b>\$89,421</b>	<b>\$98,007</b>

*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 - ALL ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$331,820</u>
Total Operating Cash Receipts	<u>331,820</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	25,196
Employee Fringe Benefits	3,515
Contractual Services	181,323
Supplies and Materials	10,704
Other	<u>1,190</u>
Total Operating Cash Disbursements	<u>221,928</u>
Operating Income	<u>109,892</u>
<b>Non-Operating Cash Receipts:</b>	
Miscellaneous Receipts	3,669
Redemption of Principal	(81,520)
Interest and Other Fiscal Charges	<u>(13,726)</u>
Total Non-Operating Cash Receipts	<u>(91,577)</u>
Net Receipts Over Disbursements	18,315
Fund Cash Balances, January 1	<u>76,449</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$94,764</u></u></b>

*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  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$12,780	\$3,089	\$15,869
Intergovernmental	18,806	29,048	47,854
Special Assessments	3,632	7,502	11,134
Charges for Services	753	0	753
Earnings on Investments	826	23	849
Miscellaneous		2,200	2,200
	<u>36,797</u>	<u>41,862</u>	<u>78,659</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	7,200	7,171	14,371
Transportation	0	16,713	16,713
General Government	25,954	0	25,954
Debt Service:			
Redemption of Principal	0	9,037	9,037
Interest and Fiscal Charges	0	1,939	1,939
	<u>33,154</u>	<u>34,860</u>	<u>68,014</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over/(Under) Disbursements	<u>3,643</u>	<u>7,002</u>	<u>10,645</u>
<b>Other Financing (Disbursements):</b>			
Other Financing Uses	<u>(60)</u>	<u></u>	<u>(60)</u>
<b>Total Other Financing (Disbursements)</b>	<u>(60)</u>	<u>0</u>	<u>(60)</u>
Excess of Cash Receipts Over Cash Disbursements and Other Financing Disbursements	3,583	7,002	10,585
Fund Cash Balances, January 1	<u>2,201</u>	<u>95,602</u>	<u>97,803</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$5,784</b></u>	<u><b>\$102,604</b></u>	<u><b>\$108,388</b></u>
Reserve for Encumbrances, December 31	<u><b>\$3,528</b></u>	<u><b>\$0</b></u>	<u><b>\$3,528</b></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 - ALL ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$358,470</u>
Total Operating Cash Receipts	<u>358,470</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	23,239
Employee Fringe Benefits	3,363
Contractual Services	165,011
Supplies and Materials	9,529
Claims	650
Other	
Total Operating Cash Disbursements	<u>201,792</u>
Operating Income/(Loss)	<u>156,678</u>
<b>Non-Operating Cash Receipts:</b>	
Redemption of Principal	(80,708)
Interest and Other Fiscal Charges	<u>(14,538)</u>
Total Non-Operating Cash Receipts	<u>(95,246)</u>
Net Receipts Over/(Under) Disbursements	61,432
Fund Cash Balances, January 1	<u>15,017</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$76,449</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$25,925</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  
DECEMBER 31, 2006 AND 2005**

**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, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, road maintenance, and police services. The Village contracts with the Clinton County Sheriff's department to provide security of persons and property. In 2003, the Village entered into an agreement to establish a joint fire district with three townships.

The Village participates in a jointly governed organization. Note 10 to the financial statements provide additional information for these entities. The organizations are:

Jointly Governed Organizations:

The Clinton-Warren Joint Fire District, a jointly governed organization, which provides fire protection and rescue services to the Village of Clarksville, Adams Township, Vernon Township and Washington Township (Warren County).

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash and Deposits**

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 deposits that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund reports 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, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**2. Special Revenue Funds**

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

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

**3. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**E. Budgetary Process**

The Ohio Revised Code requires that each be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. Equity in Pooled Cash and Deposits**

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

	2006	2005
Demand deposits	\$192,771	\$184,837

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,407	\$37,764	\$3,357
Special Revenue	39,162	39,130	(32)
Enterprise	287,974	335,489	47,515
Total	\$361,543	\$412,383	\$50,840

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$41,793	\$34,962	\$6,831
Special Revenue	85,850	52,313	33,537
Enterprise	327,259	317,174	10,085
Total	\$454,902	\$404,449	\$50,453

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity (Continued)**

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,995	\$36,797	(\$198)
Special Revenue	39,750	41,862	2,112
Enterprise	356,750	358,470	1,720
Total	\$433,495	\$437,129	\$3,634

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,457	\$36,742	\$3,715
Special Revenue	85,635	34,860	50,775
Enterprise	299,435	322,963	(23,528)
Total	\$425,527	\$394,565	\$30,962

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer Fund by \$8,445 for the year ended December 31, 2006. During 2005, the Water Fund had budgetary expenditures that exceeded appropriations by \$14,993 and in the Sewer Fund by \$13,129.

**4. Property Tax**

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

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

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, 2006 was as follows:

	Principal	Interest Rate
OWDA #3289	\$550,590	2.20%
OWDA #EVO428	12,905	0.00%
OPWC #CJ04C	609,222	0.00%
Note- Dump Truck	30,382	4.04%
Total	\$1,203,099	



**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. Debt**

The Ohio Water Development Authority (OWDA) loan #3289 relates to the wastewater treatment plant project. The OWDA approved up to \$825,557 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$25,623 including interest, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OWDA loan #EV0428 was issued in 1993 relating to the water works improvements. The loan was secured by the water fund customer charges for services.

The Ohio Public Works (OPWC) loan #CJ04C relates to waste water treatment and collection system improvements. The OPWC loans will be repaid in semiannual installments of \$21,007, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

During November 2004, the Village signed a lease/purchase agreement for \$48,821 with Farmer's Bank and Trust to finance the purchase of a 2005 GMC dump truck to be used for the Village's street and water department. The loan is to be repaid at 4.04% interest over five years with the final loan payment in December 2009. Yearly payments of \$10,977 are being made from the Water, Sewer, and Street Funds. The note is unsecured and uncollateralized.

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

Year ending December 31:	OWDA LOAN #3289	OWDA LOAN #EV0248	OPWC LOAN #CJ04C	DUMP TRUCK
2007	\$51,246	\$1,985	\$42,014	\$10,977
2008	51,246	1,985	42,014	10,977
2009	51,246	1,985	42,014	10,977
2010	51,246	1,985	42,014	0
2011	51,246	1,985	42,014	0
2012-2016	256,230	2,980	210,070	
2017-2021	179,361		189,082	
				0
Total	<u>\$691,821</u>	<u>\$12,905</u>	<u>\$609,222</u>	<u>\$32,931</u>

**6. Retirement Systems**

The Village officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**8. Jointly Governed Organizations**

The Clinton-Warren Joint Fire District, a jointly governed organization, which provides fire protection and rescue services to the Village of Clarksville, Adams Township, Vernon Township and Washington Township (Warren County). Each of the four political subdivisions appoints one member of the four member board of trustees. The Board owns and operates assets in its own name. The Board has authority to levy taxes and approve its own budget. Funding for operations comes from the participants in the District, charges for services and a tax levy.

**9. Non-Compliance**

Contrary to Ohio law, the Village:

- did not account for certain revenues from a special source in a special fund established for that purpose , and
- did not deposit certain receipts within the time required by Ohio law.



# Mary Taylor, CPA

Auditor of State

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

Village of Clarksville  
Clinton County  
130 Springhill Road  
Clarksville, Ohio 45177

To the Village Council:

We have audited the financial statements of the Village of Clarksville, Clinton County, Ohio (the Village), as of and for the year ended December 31, 2006 and 2005, and have issued our report thereon dated December 12, 2007 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-003 through 2006-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated December 12, 2007.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings item 2006-001 through 2006-004.

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



**Mary Taylor, CPA**  
Auditor of State

December 12, 2007

**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.41 (D)**, requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure 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 contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 Board can authorize the drawing of a warrant for the payment of the amount due. The Board 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, (\$1,000 prior to April 7, 2003) 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 Board.

2. Blanket Certificate – Fiscal officers 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. 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 Board 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.

One Hundred (100%), in 2006 and 2005 of the purchases tested were initiated without obtaining the prior certification of the Fiscal Officer and were not subsequently approved by the Board of Trustees within the aforementioned 30 day time period.

**FINDING NUMBER 2006-001  
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

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

**Officials' Response:**

We did not receive a response from officials in regards to this finding.

**FINDING NUMBER 2006-002**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.41(B)**, states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. During 2005, the Water fund expenditures of \$154,160 exceeded appropriations of \$139,167 by \$14,993; the Sewer fund expenditures of \$146,397 exceeded appropriations of \$133,268, by \$13,129. During 2006, the Sewer Fund expenditures of \$152,642 exceeded appropriations of \$144,197, by \$8,445. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Officials' Response:**

We did not receive a response from officials in regards to this finding.

**FINDING NUMBER 2006-003**

**Noncompliance Citation and Significant Deficiency**

**Ohio Rev. Code, § 5705.10**, provides that revenue from a special source other than general property taxes shall be credited to a special fund established for that purpose. Monies were not always posted to the particular fund specified by their purpose. The Village did not properly record intergovernmental monies and debt payments. Audit adjustments and reclassifications have been posted to the Village financial records and are reflected in the accompanying financial statements to properly reflect receipts and disbursements of the Village. Failure to properly post revenue can result in inaccurate records and increase the risk that theft or fraud will not be detected in a timely manner. We recommend that all receipts be properly posted in a timely manner.

**Officials' Response:**

We did not receive a response from officials in regards to this finding.

#### **FINDING NUMBER 2006-004**

##### **Noncompliance Citation and Significant Deficiency**

**Ohio Revised Code, Section 9.38**, provides that any public official and/or employee who receive public monies shall deposit said monies with the fiscal officer or with a properly designated depository on the next business day following the day of receipt, if the total received exceed one thousand dollars. If the total amount of the public money received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. During our testing, we noted the Village is not depositing receipts timely. 27 out of 50 (54%) of the receipts tested were not deposited timely; however they were deposited within the week of collection. Failure to deposit funds timely could result in possible misappropriation of funds.

We recommend that the Village implement a policy regarding the deposit of funds. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, the Village may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. Only Village Council may adopt this policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

##### **Officials' Response:**

We did not receive a response from officials in regards to this finding.

#### **FINDING NUMBER 2006-005**

##### **Significant Deficiency**

When designing the Village's system of internal control and the specific control activities, management should consider ensuring that all accounting records are properly designed and functioning. The Village purchased a new software program to perform the utility billing in 2007. The new computer system allows the Administrator to track usage, billing and payments all on the same system. However, during the audit period, the old program was only being used to print the bills. There is also no evidence that the water clerk and the village clerk are comparing receipts posted to the UAN system each month. Lack of system generated calculations and reports allow the possibility for the occurrence of errors, omissions, or fraud without the timely prevention or detection by Village management. The Village should fully utilize their utility department's computer system for the accounting and computation of utility receipts. We recommend the Village complete the setup and use the software to be as advantageous as possible in tracking the water usage and payments of utilities. We also recommend the Village personnel receive additional training on the use of the utility department computer system. Further, the Village should be comparing the amount received during the month with what is being posted in the UAN system monthly.

##### **Officials' Response:**

We did not receive a response from officials in regards to this finding.

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**VILLAGE OF CLARKSVILLE  
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	ORC 149.351 (A), records are the property of the public office and shall not be removed.	Yes	
2004-002	ORC 733.28, requires clerk to keep the books of Village and complete accurate statements.	Yes	
2004-003	ORC 5705.09 (F), establish a special fund for each source of revenue. ORC 5705.10, provides that monies paid into any fund shall be used for which fund was established.	No	Partially Corrected, the village did not properly post intergovernmental receipts. Audit adjustments and reclassifications were posted. Re-issued as finding 2006-003
2004-004	ORC 5705.41 (B), prohibits a subdivision from making an expenditure unless it has been properly appropriated.	No	Not corrected. Re-issued as finding 2006-002.
2004-005	5705.41 (D), requires the Village to certify availability of funds.	No	Not corrected. Re-issued as finding 2006-001.
2004-006	Village staff does not allow for an adequate segregation of duties. Village indicates a need for increased oversight of management by Village.	Yes	
2004-007	Council minutes were not completely maintained as resolutions were not sequentially numbered, indexed, and properly headed. Minute records were incomplete.	Yes	





**Mary Taylor, CPA**  
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  
JANUARY 31, 2008**