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**VILLAGE OF CLARKSVILLE
CLINTON COUNTY
Regular Audit
For the Years Ended December 31, 2016 and 2015**

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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, Ohio 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, 2015 through December 31, 2016. 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

September 29, 2017

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VILLAGE OF CLARKSVILLE
CLINTON COUNTY

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INDEPENDENT AUDITOR'S REPORT

July 31, 2017

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 **Village of Clarksville**, Clinton County (the Village) as of and for the years ended December 31, 2016 and 2015.

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 audit opinions.

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States 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 opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Clarksville, Clinton County as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As disclosed in Note 1, on September 15, 2015, the Auditor of State declared the Village to be in a state of fiscal emergency, in accordance with Section 11.03 of the Ohio Revised Code. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2017, 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 & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 6,939	\$ 2,810	\$ 9,749
Municipal Income Tax	6,040	-	6,040
Intergovernmental	13,922	25,313	39,235
Special Assessments	-	11,489	11,489
Charges for Services	3,914	-	3,914
Earnings on Investments	111	-	111
Miscellaneous	390	-	390
	<u>31,316</u>	<u>39,612</u>	<u>70,928</u>
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
Security of Persons and Property	330	11,410	11,740
Public Health Services	548	-	548
Transportation	-	1,944	1,944
General Government	26,603	2,384	28,987
Capital Outlay	504	-	504
Debt Service:			
Principal Retirement	-	941	941
Interest and Fiscal Charges	-	110	110
	<u>27,985</u>	<u>16,789</u>	<u>44,774</u>
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts Over Disbursements</i>	<u>3,331</u>	<u>22,823</u>	<u>26,154</u>
Other Financing (Disbursements)			
Other Financing Uses	<u>(27)</u>	<u>(16)</u>	<u>(43)</u>
<i>Total Other Financing (Disbursements)</i>	<u>(27)</u>	<u>(16)</u>	<u>(43)</u>
<i>Net Change in Fund Cash Balances</i>	3,304	22,807	26,111
<i>Fund Cash Balances, January 1</i>	<u>(81,425)</u>	<u>124,440</u>	<u>43,015</u>
Fund Cash Balances, December 31			
Nonspendable	14,335	-	14,335
Restricted	-	147,247	147,247
Unassigned (Deficit)	<u>(92,456)</u>	<u>-</u>	<u>(92,456)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ (78,121)</u>	<u>\$ 147,247</u>	<u>\$ 69,126</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 (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 360,131
<i>Total Operating Cash Receipts</i>	360,131
Operating Cash Disbursements	
Personal Services	37,014
Employee Fringe Benefits	7,903
Contractual Services	197,150
Supplies and Materials	23,267
Other	1,359
<i>Total Operating Cash Disbursements</i>	266,693
<i>Operating Income</i>	93,438
Non-Operating (Disbursements)	
Capital Outlay	(5,091)
Principal Retirement	(114,853)
Interest and Other Fiscal Charges	(5,932)
Other Financing Uses	(531)
<i>Total Non-Operating (Disbursements)</i>	(126,407)
<i>Net Change in Fund Cash Balances</i>	(32,969)
<i>Fund Cash Balances, January 1</i>	177,251
<i>Fund Cash Balances, December 31</i>	\$ 144,282

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 (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 16,381	\$ 2,666	\$ 19,047
Intergovernmental	13,059	24,387	37,446
Special Assessments	-	12,328	12,328
Charges for Services	3,438	-	3,438
Earnings on Investments	194	-	194
Miscellaneous	233	70	303
<i>Total Cash Receipts</i>	<u>33,305</u>	<u>39,451</u>	<u>72,756</u>
Cash Disbursements			
Current:			
Security of Persons and Property	-	11,388	11,388
Transportation	-	7,946	7,946
General Government	45,818	2,333	48,151
Capital Outlay	359	-	359
Debt Service:			
Principal Retirement	-	907	907
Interest and Fiscal Charges	23	144	167
<i>Total Cash Disbursements</i>	<u>46,200</u>	<u>22,718</u>	<u>68,918</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(12,895)</u>	<u>16,733</u>	<u>3,838</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	422	-	422
Other Financing Uses	(669)	-	(669)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(247)</u>	<u>-</u>	<u>(247)</u>
<i>Net Change in Fund Cash Balances</i>	(13,142)	16,733	3,591
<i>Fund Cash Balances, January 1 (Restated - See Note 14)</i>	<u>(68,283)</u>	<u>107,707</u>	<u>39,424</u>
Fund Cash Balances, December 31			
Nonspendable	14,335	-	14,335
Restricted	-	124,440	124,440
Unassigned (Deficit)	(95,760)	-	(95,760)
<i>Fund Cash Balances, December 31</i>	<u>\$ (81,425)</u>	<u>\$ 124,440</u>	<u>\$ 43,015</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 (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 362,707
<i>Total Operating Cash Receipts</i>	362,707
Operating Cash Disbursements	
Personal Services	35,896
Employee Fringe Benefits	6,340
Contractual Services	162,171
Supplies and Materials	31,813
Other	13,902
<i>Total Operating Cash Disbursements</i>	250,122
<i>Operating Income</i>	112,585
Non-Operating Receipts (Disbursements)	
Capital Outlay	(133,340)
Principal Retirement	(124,062)
Interest and Other Fiscal Charges	(623)
Other Financing Sources	172,681
Other Financing Uses	(550)
<i>Total Non-Operating Receipts (Disbursements)</i>	(85,894)
<i>Net Change in Fund Cash Balances</i>	26,691
<i>Fund Cash Balances, January 1 (Restated - See Note 14)</i>	150,560
<i>Fund Cash Balances, December 31</i>	\$ 177,251

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, 2016 AND 2015**

Note 1 – REPORTING ENTITY

The Village of Clarksville, Clinton County, (the Village) as a body politic and corporate established to exercise the right and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, road and bridge maintenance, and street lighting special assessments. The Village contract with the Clinton County Sheriff's department to provide security of persons and property.

On September 15, 2015, the Ohio Auditor of State declared the Village of Clarksville in fiscal emergency, as defined by Ohio Revised Code Section 118.03. The declaration resulted in the establishment of a financial planning and supervision commission. The Commission is comprised of a representative if the Office of Budget and Management, a representative of the Treasurer of State, the President of the Council of the Village of Clarksville, the Clinton County Auditor, and three individuals appointed by the Governor who are residents of the Village of Clarksville and meet certain criteria. The Commission is responsible for approving a financial recovery plan that eliminates the fiscal emergency conditions, balances the budget, and avoids future deficits.

In accordance with the Ohio Revised Code Section 118.06, the Village of Clarksville is required to submit to the Commission a financial recovery plan which outlines the measures to be taken to eliminate the fiscal emergency condition. The Commission approved the initial recovery plan on October 27, 2015.

Jointly Governed Organization

The Village participates in a jointly governed organization, the Clinton-Warren Joint Fire and Rescue District. Note 12 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Fund Accounting

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

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)**

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Motor Vehicle License Fund – This fund accounts for and reports intergovernmental motor vehicle revenues restricted for roads and repairs and upkeep.

State Highway Fund – This fund accounts for and reports State share of gasoline tax and motor vehicle license tax revenue and all disbursements restricted to roads, including improvements, paving, snow removal, salt/sand, gravel, blacktop, maintenance, payroll, supplies, purchases, fuel, vehicle equipment, and maintenance.

Street Construction, Maintenance and Repair Fund – This fund accounts for and reports all disbursements restricted to roads, including improvements, paving, snow removal, salt/sand, gravel, blacktop, maintenance, payroll, supplies, purchases, fuel, vehicle equipment, and maintenance.

Street Lighting Special Assessment Fund – This fund accounts for and reports charges restricted to maintain traffic lights and signals.

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 – To account for and report the provision of water services to residents and businesses of the Village.

Sewer Fund – To account for and report the provision of sanitary sewer services to residents and businesses of the Village.

Fiduciary Funds Fiduciary funds include private trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds directed by the individual, organization or other government. The Village's agency fund accounts for unclaimed monies.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)**

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 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 presentation report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 and 2015 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

VILLAGE OF CLARKSVILLE
CLINTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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

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

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

Committed Council can *commit* 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.

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.

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.

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.

Note 3 – COMPLIANCE

Contrary to Ohio law, at December 31, 2016 and 2015, the General and Waste Enterprise Funds had cash deficit balances. Also, contrary to Ohio law, appropriations exceeded estimated resources in the General and Waste Enterprise Funds for the years ended December 31, 2016 and in the General Fund for the year ended 2015.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)**

Note 4 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 31,316	\$ 31,316	\$ -
Special Revenue	39,612	39,612	-
Enterprise	360,131	360,131	-
Total	\$ 431,059	\$ 431,059	\$ -

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 49,242	\$ 28,273	\$ 20,969
Special Revenue	88,309	16,414	71,895
Enterprise	425,413	424,161	1,252
Total	\$ 562,964	\$ 468,848	\$ 94,116

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 28,484	\$ 33,727	\$ 5,243
Special Revenue	38,200	39,451	1,251
Enterprise	349,750	535,388	185,638
Total	\$ 416,434	\$ 608,566	\$ 192,132

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 55,950	\$ 48,474	\$ 7,476
Special Revenue	39,176	22,827	16,349
Enterprise	525,990	525,916	74
Total	\$ 621,116	\$ 597,217	\$ 23,899

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)**

Note 5 – 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:

	2016	2015
Demand deposits	\$ 213,408	\$ 220,266
Total deposits	\$ 213,408	\$ 220,266

Deposits

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

Note 6 - DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest
OWDA Loan 3289	\$ 184,528	2.00%
OWDA Loan 6127	46,233	2.00%
OPWC Loan CJ04C	210,074	0.00%
OPWC Loan CJ21P	689,134	0.00%
Skid Loader	8,943	3.76%
	\$ 1,138,912	

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.

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 OWDA debt service requirements.

The Ohio Public Works (OPWC) loan #CJ04C relates to waste water treatment and collection system improvements. The OPWC loans will be repaid in 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, 2016, 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.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)**

Note 6 – DEBT (Continued)

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 is scheduled as follows:

Year ending December 31:	OWDA 3289	OWDA 6127	OPWC CJ04C	OPWC CJ21P	Skid Loader
2017	\$ 48,444	\$ 2,154	\$ 42,015	\$ 24,612	\$ 4,813
2018	48,444	2,154	42,015	24,612	4,130
2019	48,444	2,154	42,015	24,612	-
2020	39,196	2,154	42,015	24,612	-
2021	-	2,154	42,014	24,612	-
2022-2026	-	10,770	-	123,060	-
2027-2031	-	10,770	-	123,060	-
2032-2036	-	10,770	-	123,060	-
2037-2041	-	3,153	-	123,059	-
2042-2044	-	-	-	73,835	-
Total	<u>\$ 184,528</u>	<u>\$ 46,233</u>	<u>\$ 210,074</u>	<u>\$ 689,134</u>	<u>\$ 8,943</u>

Note 7 – TAXES

Property Taxes

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.

Income Taxes

Beginning July 1, 2016, the Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file declaration annually.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)**

Note 8 - RISK MANAGEMENT

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate of \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Commercial General Liability Coverage Part
- Public Officials Liability Coverage Part
- Employment Practices Liability Coverage Part
- Commercial Property Coverage Part
- Equipment Breakdown Coverage Part
- Commercial Inland Marine Coverage Part
- Commercial Crime Coverage Part
- Commercial Auto Coverage Part
- Commercial Excess Coverage Part
- Commercial Employees Benefits Coverage Part
- Commercial Liquor Liability Coverage Part
- Law Enforcement Liability Coverage Part
- EDP Coverage
- Terrorism Risk Insurance Act (TRIA) Property
- TRIA Causality

Note 9 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Some 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 2016 and 2015, 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, 2016.

Note 10 – POSTEMPLOYMENT BENEFITS

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

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)**

Note 11 - 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.

Note 12 - 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.

Note 13 - SUBSEQUENT EVENTS

As of December 31, 2016, the Village had the following outstanding balances:

Vendor	Amount Outstanding
Western Water	\$ 553,120
Auditor of State	\$ 15,326

The Village is also in negotiation with Western Water to resolve the large outstanding balance and is considering several options.

Note 14 – PRIOR PERIOD ADJUSTMENT

The Village made audit adjustments from the 2012-2011 audit report during 2015. The 2014-2013 audit report did not account for these adjustments, as they were not completed during the audit period. This resulted in a restatement of the prior period cash balances.

	General Fund	Special Revenue Funds	Enterprise Funds
Fund Balance at December 31, 2014	\$ -17,165	\$ 90,551	\$ 108,490
2012-2011 Audit Adjustments	-65,453	17,156	42,070
Unclaimed Monies Fund	14,335	-	-
Fund Balance at January 1, 2015	\$ -68,283	\$ 107,707	\$ 150,560

During the 2014-2013 audit, cash was not reconciled by \$14,335. In 2015, an Unclaimed Monies Fund was created to account for stale outstanding warrants not in the UAN accounting system. This fund balance is reported as Nonspendable in the General Fund.

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Wheeling, WV 26003
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

July 31, 2017

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 **Village of Clarksville**, Clinton County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated July 31, 2017 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. As disclosed in Note 1, on September 15, 2015, the Village was declared by the Auditor of State to be in a state of fiscal emergency.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2016-002 to be a material weakness.

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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 an instance of noncompliance or other matters we must report under *Government Auditing Standard* which is described in the accompanying schedule of audit findings as item 2016-001.

We also noted a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 31, 2017.

Village's Response to Findings

The Village's responses to the findings are identified in our audit are described in the accompanying schedule of audit 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, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance

Ohio Rev. Code, § 5705.10(H) provides that money be paid in to a fund must be used only for the purposes for which such fund was established. As a result, a negative fund balances indicates that money from one fund was used to cover the expenses of another fund. The Village was placed in Fiscal Emergency on September 15, 2015 for a negative fund balance in its General Fund. As of December 31, 2016, the General and Waste Funds had a negative fund balances of \$(97,512) and \$(13,221), respectively.

We recommend the Village follow the steps outlined in its Financial Recovery Plan while monitoring fund balances and continuing efforts to restore the financial health of its funds.

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

Ohio Rev. Code, § 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money.

The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- 1) "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

VILLAGE OF CLARKSVILLE
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001 (Continued)

Noncompliance (Continued)

- 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.

Conditions leading to budgetary noncompliance included:

- Appropriations exceeded estimated resources in the General Fund for 2016 and 2015;
- Appropriations exceeded estimated resources in the Waste Enterprise Fund for 2015; and
- Did not properly certify the availability of funds prior to purchase for 13% of expenditures tested in 2016 and for 27% of expenditures tested for 2015.

Unless the exceptions noted above are used, prior certification is not only required by statute, but are key controls in the disbursement process to assure that purchase commitments receive prior approval. The lack of a proper internal control system allowed the Village to violate budgetary law 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: Budgetary issues occur due to having negative fund balances.

VILLAGE OF CLARKSVILLE
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-002

Material Weakness

Disbursements and Fund Balances

Disbursements should be posted to the fund and line item accounts as established by Ohio Village Handbook and other Auditor of State resources. Fund Balances should be properly classified based on Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2016 and 2015, disbursements and fund balances were not always posted or classified correctly. The following errors were noted:

- Principal Retirement was posted as Interest and Other Fiscal Charges in the Enterprise Fund in 2015;
- Disbursement was posted as Capital Outlay instead of Principal Retirement in 2015;
- The Unclaimed Monies Fund cash balance in the General Fund was incorrectly classified as Unassigned instead of Nonspendable in 2016;
- The Unclaimed Monies Fund cash balance was incorrectly reported as an Agency Fund instead of being included as Nonspendable in the General Fund in 2015.

Not posting disbursements and fund balances accurately resulted in the financial statements requiring reclassifications and adjustments. The accompanying financial statements reflect all reclassifications and adjustments. The Village made all required adjustments to its accounting records.

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, Technical Bulletin 2011-004, and other Auditor of State Resources for guidance to determine the proper establishment of expenditure accounts and posting of expenditures and cash fund balances.

Officials' Response: Corrections have been addressed.

**VILLAGE OF CLARKSVILLE
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Ohio Administrative Code 117-2-01 Ohio Administrative Code 117-2-02	Yes	N/A
2014-002	Internal Control	Yes	N/A
2014-003	Ohio Revised Code Section 5705.10	No	Repeated in Finding 2016-001
2014-004	Ohio Revised Code Section 117.38	Yes	N/A
2014-005	OPWC agreement noncompliance	Yes	N/A
2014-006	Ohio Revised Code Section 5705.09(F)	Yes	N/A
2014-007	Internal Control – GASB 54	Yes	N/A
2014-008	Ohio Revised Code Section 5705.36(A), 5705.38(A), 5705.39, 5705.41(D)(1)	No	Partially Corrected; Repeated in Finding 2016-001
2014-009	Internal Control – Public Purpose Expenditures - UAN	Yes	N/A
2014-010	Internal Control – Utility Adjustments	Yes	N/A
2014-011	Posting Receipts and Disbursements	No	Partially Corrected; Repeated in Finding 2016-002
2014-012	Internal Control – Public Purpose Expenditures – Heritage Festival Account	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
OCTOBER 24, 2017