

***VILLAGE OF CLARINGTON
MONROE COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

January 12, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**Auditor of State
Betty Montgomery**

Village Council
Village of Clarington
P.O. Box 215
Clarington, Ohio 43915

We have reviewed the *Report of Independent Accountants* of the Village of Clarington, Monroe County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Clarington is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 2, 2007

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**VILLAGE OF CLARINGTON
MONROE COUNTY
For the Years Ending December 31, 2005 and 2004**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Clarington, Monroe, County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. 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. We believe that 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2005 and 2004, 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, 2005 and 2004, or its changes in financial position 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 of the Village of Clarington, Monroe County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 November 21, 2006, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

November 21, 2006

VILLAGE OF CLARINGTON
MONROE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Funds		Totals (Memorandum Only)
	General	Special Revenue	
Receipts:			
Property and Other Local Taxes	\$ 13,447	-	\$ 13,447
Intergovernmental	20,194	\$ 33,243	53,437
Charges for Services	2,050	5,450	7,500
Fines, Licenses and Permits	959	-	959
Interest	1,411	13	1,424
Miscellaneous	614	11	625
Total Receipts	38,675	38,717	77,392
Disbursements:			
Current:			
General Government	22,455	-	22,455
Public Safety	4,524	-	4,524
Transportation	3,000	14,036	17,036
Basic Utility Services	1,997	-	1,997
Public Health Services	2,087	5,133	7,220
Leisure Time Activities	150	-	150
Capital Outlay	-	41,867	41,867
Debt Service:			
Principal Payments	1,196	1,946	3,142
Interest Payments	-	59	59
Total Disbursements	35,409	63,041	98,450
Total Receipts Over(Under) Disbursements	3,266	(24,324)	(21,058)
Fund Balance 1/1/2005	6,398	36,787	43,185
Fund Balance 12/31/2005	\$ 9,664	\$ 12,463	\$ 22,127

See accompanying Notes to the Financial Statements.

VILLAGE OF CLARINGTON
MONROE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$ 171,490	\$ 1,750	\$ 173,240
Earnings on Investments	-	1,652	1,652
Total Operating Cash Receipts	<u>171,490</u>	<u>3,402</u>	<u>174,892</u>
Operating Disbursements:			
Personal Services	42,483	-	42,483
Fringe Benefits	8,856	-	8,856
Contractual Services	24,683	1,243	25,926
Supplies and Materials	14,691	-	14,691
Other	225	-	225
Capital Outlay	5,518	-	5,518
Total Operating Cash Disbursements	<u>96,456</u>	<u>1,243</u>	<u>97,699</u>
Operating Income	75,034	2,159	77,193
Non-Operating Cash Receipts:			
Earnings on Investments	462	-	462
Total Non-Operating Cash Receipts	<u>462</u>	<u>-</u>	<u>462</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	32,740	-	32,740
Interest and Other Fiscal Charges	38,966	-	38,966
Total Non-Operating Cash Disbursements	<u>71,706</u>	<u>-</u>	<u>71,706</u>
Excess of Cash Receipts Over Cash Disbursements	3,790	2,159	5,949
Fund Cash Balances, January 1	132,365	84,391	216,756
Fund Cash Balances, December 31	<u>\$ 136,155</u>	<u>\$ 86,550</u>	<u>\$ 222,705</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF CLARINGTON
MONROE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Funds		Totals (Memorandum Only)
	General	Special Revenue	
Receipts:			
Property and Other Local Taxes	\$ 11,976	-	\$ 11,976
Intergovernmental	16,437	\$ 46,914	63,351
Charges for Services	2,000	3,075	5,075
Fines, Licenses and Permits	973	-	973
Interest	1,037	7	1,044
Miscellaneous	122	-	122
Total Receipts	32,545	49,996	82,541
Disbursements:			
Current:			
General Government	29,317	-	29,317
Public Safety	4,489	-	4,489
Transportation	-	17,008	17,008
Basic Utility Services	2,466	-	2,466
Public Health Services	1,521	4,893	6,414
Leisure Time Activities	359	-	359
Capital Outlay	-	10,207	10,207
Debt Service:			
Principal Payments	1,698	2,683	4,381
Interest Payments	-	999	999
Total Disbursements	39,850	35,790	75,640
Total Receipts Over(Under) Disbursements	(7,305)	14,206	6,901
Other Financing Sources/(Uses):			
Transfers-In	-	238	238
Advances-In	-	2,700	2,700
Advances-Out	-	(2,700)	(2,700)
Total Other Financing Sources/(Uses)	-	238	238
Excess Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(7,305)	14,444	7,139
Fund Balance 1/1/2004	13,703	22,343	36,046
Fund Balance 12/31/2004	\$ 6,398	\$ 36,787	\$ 43,185

See accompanying Notes to the Financial Statements.

VILLAGE OF CLARINGTON
MONROE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$ 170,536	\$ 400	\$ 170,936
Earnings on Investments	-	1,138	1,138
Total Operating Cash Receipts	170,536	1,538	172,074
Operating Disbursements:			
Personal Services	38,903	-	38,903
Fringe Benefits	8,474	-	8,474
Contractual Services	29,285	200	29,485
Supplies and Materials	13,600	-	13,600
Other	1,502	-	1,502
Capital Outlay	18,454	-	18,454
Total Operating Cash Disbursements	110,218	200	110,418
Operating Income	60,318	1,338	61,656
Non-Operating Cash Receipts:			
Intergovernmental Receipts	20,000	-	20,000
Earnings on Investments	179	-	179
Total Non-Operating Cash Receipts	20,179	-	20,179
Non-Operating Cash Disbursements:			
Redemption of Principal	32,016	-	32,016
Interest and Other Fiscal Charges	40,049	-	40,049
Total Non-Operating Cash Disbursements	72,065	-	72,065
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers and Advances	8,432	1,338	9,770
Transfers-Out	-	(238)	(238)
Advances-In	2,700	-	2,700
Advances-Out	(2,700)	-	(2,700)
Net Cash Receipts Over/(Under) Cash Disbursements	8,432	1,100	9,532
Fund Cash Balances, January 1	123,933	83,291	207,224
Fund Cash Balances, December 31	\$ 132,365	\$ 84,391	\$ 216,756

See accompanying Notes to the Financial Statements.

**VILLAGE OF CLARINGTON
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Clarington, Monroe County (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by publicly-elected six-member Council. The Village provides general governmental services, water and sewer utilities, cemetery maintenance and park operations. The Village contracts with the Clarington Volunteer Fire Department to provide fire protection and emergency medical services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis 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 statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and U.S. Treasury Savings Bonds are valued at cost.

**VILLAGE OF CLARINGTON
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of “Fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures 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 roads.
- State Highway Fund – This fund receives gasoline tax money for constructing, maintaining and repairing Village roads.
- Disaster Relief Fund – This fund receives federal and state grants for repairing Village roads and water distribution system.
- Cemetery Fund – This fund receives charges for services from grave fees and cemetery lot sales for the operation and maintenance of the Village cemetery.

Proprietary Fund Types:

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 fees. The Village had the following significant Enterprise Funds:

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

**VILLAGE OF CLARINGTON
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

- Sewer Fund – This fund receives charges for services from residents to cover the cost of providing this utility.
- Water Contingency Fund – This fund receives federal and state grants and loan proceeds to finance a water system replacement project.
- Sewer Replacement Fund – This fund receives charges for services from residents to provide system upgrades to the sanitary sewer system.
- Sewer Debt Fund – This fund receives charges for services from residents to pay for long-term debt.

Fiduciary Fund Types:

Fiduciary Funds (Trust Funds): These funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable trust funds. The Village had the following fiduciary fund:

- Cemetery Fund – This Non-expendable trust fund receives interest from investments and charges for services from cemetery lot sales for the operation and maintenance of the Village cemetery.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

VILLAGE OF CLARINGTON
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

On or about January 1, the Clerk sends the county auditor a certificate, which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2004 and 2005. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the fund level.

Encumbrances outstanding at year-end are canceled and re-appropriated in the subsequent year.

F. PROPERTY, PLANT AND EQUIPMENT

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

**VILLAGE OF CLARINGTON
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. ACCUMULATED LEAVE

In certain circumstances, such as leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2004</u>	<u>2005</u>
Demand deposits	\$ 38,716	\$ 15,418
Money Market	63,144	64,209
Savings	10,160	16,777
Certificates of Deposit	<u>146,921</u>	<u>147,428</u>
Total deposits	<u>258,941</u>	<u>243,832</u>
U.S. Treasury Savings Bonds	<u>1,000</u>	<u>1,000</u>
Total Deposits and Investments	<u>\$ 259,941</u>	<u>\$ 244,832</u>

Deposits and investments are either insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

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

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

**VILLAGE OF CLARINGTON
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

3. PROPERTY TAXES – (continued)

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

<u>2005 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 38,394	\$ 38,675	\$ 281
Special Revenue Funds	38,500	38,717	217
Enterprise Funds	169,500	171,952	2,452
Fiduciary Fund	1,200	3,402	2,202

<u>2005 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 41,630	\$ 35,409	\$ 6,221
Special Revenue Funds	65,835	63,041	2,794
Enterprise Funds	224,793	168,162	56,631
Fiduciary Fund	1,000	1,243	(243)

<u>2004 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 35,878	\$ 32,545	\$ (3,333)
Special Revenue Funds	53,000	52,934	(66)
Enterprise Funds	193,430	193,415	(15)
Fiduciary Fund	2,000	1,538	(462)

<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 49,502	\$ 39,850	\$ 9,652
Special Revenue Funds	71,226	38,490	32,736
Enterprise Funds	215,779	184,983	30,796
Fiduciary Fund	2,000	438	1,562

**VILLAGE OF CLARINGTON
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$ 503,942	6.16%-7.45%
Ohio Public Works Commission Loans	<u>122,336</u>	0%-2%
Total	<u>\$ 626,278</u>	

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

The Ohio Public Works Commission (OPWC) loans relate to street resurfacing, bridge replacement and water system replacement projects. The loans will be repaid in semiannual installments over 20 years. The loan relating to the water system replacement project is collateralized by water receipts. The Village has agreed to sufficiently set utility rates to cover OPWC debt service requirements.

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

<u>Year Ending December 31:</u>	<u>OWDA Loans</u>	<u>OPWC Loans</u>
2006	\$ 62,606	\$ 9,248
2007	62,722	9,248
2008	62,849	9,248
2009	62,983	9,248
2010	63,129	9,248
2011-2015	318,199	41,454
2016-2020	128,762	34,275
2021-2023	<u>-0-</u>	<u>20,565</u>
Total	<u>\$ 761,250</u>	<u>\$142,534</u>

6. RETIREMENT SYSTEM

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. OPERS participants contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of their wages. The Village has paid all contributions required through December 31, 2005.

**VILLAGE OF CLARINGTON
MONROE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

6. RETIREMENT SYSTEM – (continued)

The Village's elected officials contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2005 and 2004, employees contributed 6.2% of their gross salaries. The Village has paid all required contributions through December 31, 2005.

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.

There has been no material change in these coverages from the prior year. Settled claims have not exceeded this commercial coverage in either of the last two years.

The Village also provides health insurance to full-time employees through a private carrier.

8. TRANSFERS

The Village transferred money from the Non-expendable Cemetery Trust Fund to the Special Revenue-Cemetery Fund for the operation of the Village cemetery. The Village also advanced money to the FEMA fund to cover the road portion of a sewer/road project. These transactions were approved by Village Council and met all requirements of the Ohio Revised Code and the FEMA grant agreement.

9. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the financial statements of the Village of Clarington, Monroe County, Ohio (Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 21, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated November 21, 2006.

Compliance and Other Matters

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, grant agreements, and other matters, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated November 21, 2006.

This report is intended solely for the information and use of management, Village Council and the audit committee and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.

November 21, 2006

VILLAGE OF CLARINGTON
MONROE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-001	Contrary to Ohio Rev. Code Section 5705.41(B), the Village had expenditures which exceeded appropriations.	NO	Partially Corrected; the noncompliance citation is repeated in the management letter.



Mary Taylor, CPA
Auditor of State

VILLAGE OF CLARINGTON

MONROE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 18, 2007**