

Village of Clinton

Financial Condition

As of

December 31, 2004 and 2005

Together with Auditor's Report



Mary Taylor, CPA
Auditor of State

Village Council
Village of Clinton
7871 Main Street
Clinton, Ohio 44216-9485

We have reviewed the *Independent Auditor's Report* of the Village of Clinton, Summit County, prepared by Kevin L. Penn, Inc, for the audit period January 1, 2004 to 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.

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 Clinton is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 26, 2007

This Page is Intentionally Left Blank.

VILLAGE OF CLINTON

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental and Fund Types - For the Year Ended December 31, 2004	3
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005	4
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances – Agency Fund Types - For the Year Ended December 31, 2005	5
Notes to Financial Statements	6
Independent Auditor's Report on Internal Control over Financial Reporting And on Compliance and Other Matters Required by Government Auditing Standards	17
Schedule of Findings	19
Schedule of Prior Audit Findings	20



Kevin L.
Penn, Inc.

Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

Independent Auditor's Report

Village of Clinton
Summit County
7871 Main Street
Clinton, Ohio 44216

I have audited the accompanying financial statements of the Village of Clinton (the Village), as of and for the year ended December 31, 2004 and 2005. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

As discussed 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. Although I cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, I presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004 and 2005. Instead of the combined funds the accompanying financial statements present for 2004 and 2005, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2004 and 2005. While the Village does not follow GAAP, generally accepted auditing standards require 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 its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. My opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In my opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above 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, 2004 and 2005, or its changes in financial position for the year then ended.

Also, in my opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Clinton, Summit County, Ohio, as of December 31, 2004 and 2005 and its combined cash receipts and disbursements and reserves for encumbrances for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004 and 2005. 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, I have also issued my report dated November 29, 2006, on my consideration of the Village's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal controls over financial reporting and compliance and the results of testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards. You should read it in conjunction with this report in assessing the results of my audit.

Kevin L. Penn, Inc.

November 29, 2006

Village of Clinton
Summit County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2004

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 69,551	\$ 200,096	\$ -	\$ -	\$ 269,647
Intergovernmental Receipts	96,786	92,027		96,293	285,106
Charges for Services	651	13,572			14,223
Fines, Licenses, and Penalties	7,862	316			8,178
Earnings on Investments	2,632				2,632
Other Revenue	5,000	225			5,225
Total Cash Receipts	182,482	306,236	-	96,293	585,011
Cash Disbursements:					
Current:					
Security of Persons and Property	58,133	132,095			190,228
Public Health Services	18,012				18,012
Leisure Time Activities	2,990				2,990
Community Environment	3,491				3,491
Transportation	28,816	86,090		105,585	220,491
General Government	58,851	2,053			60,904
Debt Service:					
Principal Payments		25,334			25,334
Interest Payments		5,609			5,609
Capital Outlay	19,805				19,805
Total Cash Disbursements	190,098	251,181	-	105,585	546,864
Total Receipts Over/(Under) Disbursements	(7,616)	55,055	-	(9,292)	38,147
Other Financing Receipts/(Disbursements)					
Transfers-In	9,429	15,150		126,904	151,483
Transfers-Out	(10,150)	(116,904)		(24,429)	(151,483)
Other Financing Sources		6,550			6,550
Other Financing Uses					-
Total Other Financing Receipts/(Disbursements)	(721)	(95,204)	-	102,475	6,550
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements					
	(8,337)	(40,149)	-	93,183	44,697
Fund Cash Balance - January 1, 2004	132,540	160,691	13,373	(93,183)	213,421
Fund Cash Balance - December 31, 2004	\$ 124,203	\$ 120,542	\$ 13,373	\$ -	\$ 258,118
Reserves for Encumbrances, December 31, 2004	\$ 352	\$ 176	\$ -	\$ -	\$ 528

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

Village of Clinton
Summit County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2005

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 70,065	\$ 144,920	\$ -		\$ 214,985
Intergovernmental Receipts	97,952	66,448			164,400
Charges for Services	650	14,851			15,501
Fines, Licenses, and Penalties	7,286	17			7,303
Earnings on Investments	679	5,072			5,751
Other Revenue	1,828	1,420			3,248
Total Cash Receipts	178,460	232,728	-	-	411,188
Cash Disbursements:					
Current:					
Security of Persons and Property	58,951	120,662			179,613
Public Health Services	15,762				15,762
Leisure Time Activities	1,624				1,624
Community Environment	3,896				3,896
Transportation	33,217	92,075			125,292
General Government	60,737	2,242			62,979
Debt Service:					
Principal Payments		26,559			26,559
Interest Payments		4,383			4,383
Capital Outlay					-
Total Cash Disbursements	174,187	245,921	-	-	420,108
Total Receipts Over/(Under) Disbursements	4,273	(13,193)	-	-	(8,920)
Other Financing Receipts/(Disbursements)					
Transfers-In					-
Transfers-Out					-
Other Financing Sources					-
Other Financing Uses					-
Total Other Financing Receipts/(Disbursements)	-	-	-	-	-
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,273	(13,193)	-	-	(8,920)
Fund Cash Balance - January 1, 2005	124,203	120,542	13,373		258,118
Fund Cash Balance - December 31, 2005	\$ 128,476	\$ 107,349	\$ 13,373	\$ -	\$ 249,198
Reserves for Encumbrances, December 31, 2005	\$ 1,262	\$ 2,688	\$ -	\$ -	\$ 3,950

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

Village of Clinton
Summit County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Cash Balances - Agency Fund Type
For the Year Ended December 31, 2004 and 2005

	<u>2004</u>	<u>2005</u>
Fund Cash Balances, January 1	<u>\$ 1,673</u>	<u>\$ 1,673</u>
Fund Cash Balances, December 31	<u><u>\$ 1,673</u></u>	<u><u>\$ 1,673</u></u>

**VILLAGE OF CLINTON
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Clinton, Summit County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides park operations (leisure time activities), and fire protection services (security of persons and property). The Village contracts with the Franklin Township Police department to provide police services (security of persons and property).

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

B. Basis of Accounting

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

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

C. Cash and Investments

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.

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

**VILLAGE OF CLINTON
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

Fire Fund - This fund receives revenues tax levies, charges for service fees, and grants to fund from the Village income tax and is used to account for expenditures fire protection for the Village.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Debt Retirement Fund - This fund receives transfers from other funds for payment of Village debt.

**VILLAGE OF CLINTON
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant capital project funds:

Capital Projects Fund - This fund receives revenues intergovernmental grants and proceeds of general obligation notes. The receipts are being used for capital asset purchases and construction of infrastructure.

5. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village's only Agency Fund is the Rental Deposit Fund which is used to account for park rental deposits and issuance of refunds of these deposits in accordance with Village ordinances.

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF CLINTON
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon 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. DEPOSITS AND INVESTMENTS

Legal Requirements. Monies held by the Village are classified by State statute into two categories. Active monies means an amount of public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the Village which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. Bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase and reverse repurchase agreements in the securities listed above;
4. Bond and other obligations of the State of Ohio, its political subdivision, or other units or agencies of this State or its political subdivisions;

**VILLAGE OF CLINTON
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

2. DEPOSITS AND INVESTMENTS (continued)

5. Time certificates of deposit or savings or deposit accounts, including but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits. At year-end, the carrying amount of the Village's deposits was \$125,182 for 2005 and \$137,895 for 2004 and the bank balance was \$129,861 for 2005 and \$139,986 for 2004. Of the bank balance, \$100,000 was covered by federal depository insurance for 2005 and 2004, and \$29,861 for 2005 and \$37,895 for 2004 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Investments. Statutory provisions require that the Village hold all securities acquired by the Village or deposit them with a qualified trustee pursuant to Section 135.18, Revised Code. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterparty is a designated depository of the Village for the current period of designation of depositories, in which case the securities may be held in trust by the depository. At the end of each day, the Village withdraws surplus funds from the account and invests the monies in an overnight repurchase agreement. The Village does not purchase any specific security in this manner, but the investment is collateralized by pledged securities held by a third party in the name of the bank.

The Village has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio), during 2005 and 2004. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes.

**VILLAGE OF CLINTON
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

2. DEPOSITS AND INVESTMENTS (continued)

STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2005 and 2004. At year end, the carrying amount of the Village's deposits with Star Ohio was \$125,689 for 2005 and \$121,896 for 2004 and the market value was \$125,689 for 2005 and \$121,896 for 2004.

GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments, classified by risk. Category 1 includes investments that are insured or registered, or securities held by the Village or its agent in Village name. Category 2 includes uninsured and unregistered, with securities held by the counter-party trust department or agent in the Village. Category 3 includes uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village. STAR Ohio is unclassified investments since they are not evidenced by securities that exist in physical or book entry form. Since STAR Ohio is the only investments, the categories described above do not apply.

3. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

4. BUDGETARY ACTIVITY

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

2004 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 187,426	\$ 191,911	\$ 4,485
Special Revenue	267,534	327,936	60,402
Capital Projects	-	223,197	223,197
Total	<u>\$ 454,960</u>	<u>\$ 743,044</u>	<u>\$ 288,084</u>

2004 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 213,670	\$ 200,248	\$ 13,422
Special Revenue	462,264	368,085	94,179
Capital Projects	130,014	130,014	-
Total	<u>\$ 805,948</u>	<u>\$ 698,347</u>	<u>\$ 107,601</u>

2005 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 193,423	\$ 178,460	\$ (14,963)
Special Revenue	262,513	232,728	(29,785)
Capital Projects	-	-	-
Total	<u>\$ 455,936</u>	<u>\$ 411,188</u>	<u>\$ (44,748)</u>

2005 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 191,393	\$ 175,449	\$ 15,944
Special Revenue	327,873	248,610	79,263
Capital Projects	-	-	-
Total	<u>\$ 519,266</u>	<u>\$ 424,059</u>	<u>\$ 95,207</u>

Note: During the 2004 calendar year, the Capital Project Fund had appropriations that exceeded the estimated resources.

**VILLAGE OF CLINTON
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one 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 a declaration annually.

6. DEBT

Debt outstanding at December 31, 2005 was as follows:

1999 Fire Truck Note	\$ 59,650	5.25%
EMS Squad Vehicle Note	<u>11,879</u>	3.95%
Total	<u>\$ 71,529</u>	

The 1999 Fire Truck General Obligation Note, due in quarterly payments of \$4,692 through April 9, 2009, relate to the purchase of a fire truck, and bear interest of 5.25%.

The 2001 Emergency Medical Service (EMS) Vehicle General Obligation Note, due in quarterly payments of \$3,043 through October 7, 2006, relates to the purchase of an EMS squad vehicle, and bears interest of 3.95%.

The aggregate amounts of long-term debt maturities for the five years following 2005 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 27,827	\$ 3,116	\$ 30,943
2007	\$ 16,802	\$ 1,967	\$ 18,769
2008	\$ 17,698	\$ 1,071	\$ 18,769
2009	<u>\$ 9,202</u>	<u>\$ 182</u>	<u>\$ 9,384</u>
Total	<u>\$ 71,529</u>	<u>\$ 6,336</u>	<u>\$ 77,865</u>

**VILLAGE OF CLINTON
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

7. PENSION PLAN

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Ohio Public Employees Retirement System

All Village full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings;
- The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Ohio Public Employees Retirement System

PERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Village to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory Village for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Village was 13.55 for OPERS and 24% for OP&F percent of covered payroll. The Village's required contributions to OPERS for the fiscal years ended December 31, 2005, 2004, and 2003 were \$8,356, \$9,156, and \$8,756 respectively, and Village's required contributions to OP&F for the fiscal years ended December 31, 2005, 2004, and 2003 were \$7,442, \$7,302 and \$7,372 respectively.

**VILLAGE OF CLINTON
SUMMIT COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

8. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Ohio Public Employees Retirement System

The Ohio Revised Code provides statutory Village for employer contributions. The 2005 employer contribution rate was 13.55 percent of covered payroll, 4 percent was the portion that was used to fund health care for 2005.

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases.

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At December 31, 2005, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 376,109. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

8. POST-EMPLOYMENT BENEFITS (continued)

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

The Ohio Police and Fire Pension Fund provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 23 basis.

The health care coverage provided by the retirement system considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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

10. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.



Kevin L.
Penn, Inc.

Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Village of Clinton
Summit County
7871 Main Street
Clinton, Ohio 44216

I have audited the financial statements of Village of Clinton as of and for the year ended December 31, 2004 and 2005, and have issued my report thereon dated November 29, 2006. I conducted my audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My report on the financial statements disclosed that, as described in Note 1 to the financial statements, the Village prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of Ohio, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Village of Clinton's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Clinton's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings as items 2005-1. I also noted certain matters that I reported to management of Village of Clinton in a separate letter dated November 29, 2006.

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

Kevin L. Penn, Inc.

November 29, 2006

Village of Clinton
Summit County

Schedule of Findings
December 31, 2004 and 2005

Findings Related to the Financial Statements
Required to be reported in Accordance with GAGAS

Finding Number 2005-1

Ohio Rev. Code Section 5705.39 provides that total appropriations from each fund shall not exceed total estimated fund resources from each fund. No appropriation measure shall become effective until the county fiscal officer files a certificate that the total appropriations for each fund do not exceed the total official estimate or amended official estimate.

2004 Appropriations Exceeding Estimated Resources

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Capital Project Fund	\$ -0-	\$ 223,197	\$ 223,197

Village of Clinton
Summit County

Schedule of Prior Audit Findings
December 31, 2004 and 2005

2003-001

Finding Summary:

Ohio Revised Code Section 5705.10 requires that monies paid into any fund be used only for the purposes for which such fund is established. Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds. In 2003 and 2002, the Capital Projects Fund had negative cash fund balances ranging from approximately from \$90,000 to \$93,000 and \$7,900 to \$58,000 respectively.

Fully Corrected?

Yes.

Current Status:

Finding has been corrected.

2003-002

Finding Summary:

Ohio Revised Code Section 5705.39 provides that total appropriations from each fund shall not exceed total estimated fund resources from each fund. No appropriation measure shall become effective until the county fiscal officer files a certificate that the total appropriations for each fund do not exceed the total official estimate or amended official estimate. In 2003 and 2002 there were several funds whereby the total appropriations exceeded the total estimated fund resources.

Fully Corrected?

No. Will be repeated in the 2005 audit.

Current Status:

In 2004 the total appropriations exceeded the total estimated fund resources in the Capital Project Fund.

Village of Clinton
Summit County

Schedule of Prior Audit Findings
December 31, 2004 and 2005

2003-003

Finding Summary:

Ohio Revised Code Section 5705.41 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 appropriate 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. During 2003 and 2002, 25% of the expenditures tested were not certified by the Clerk-Treasurer prior to incurring the obligation.

Fully Corrected?

Yes.

Current Status:

Finding has been corrected.



Mary Taylor, CPA
Auditor of State

VILLAGE OF CLINTON

SUMMIT 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
MARCH 8, 2007