



Mary Taylor, CPA
Auditor of State

VILLAGE OF CLINTON
SUMMIT COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

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

Mary Taylor

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Auditor of State

April 1, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Clinton, Summit County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, 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 Clinton, Summit County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

April 1, 2010

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$79,699	\$209,382	\$289,081
Intergovernmental	94,239	117,602	211,841
Charges for Services	2,080	17,087	19,167
Fines, Licenses and Permits	9,931		9,931
Earnings on Investments	856		856
Miscellaneous	22,481	5,422	27,903
	<u>209,286</u>	<u>349,493</u>	<u>558,779</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	74,664	248,407	323,071
Public Health Services	8,674		8,674
Leisure Time Activities	2,000		2,000
Community Environment	9,477	16,416	25,893
Transportation	52,515	58,883	111,398
General Government	73,387	3,227	76,614
Debt Service:			
Redemption of Principal		9,257	9,257
Interest and Fiscal Charges		237	237
Capital Outlay		22,210	22,210
	<u>220,717</u>	<u>358,637</u>	<u>579,354</u>
Total Receipts (Under) Disbursements	<u>(11,431)</u>	<u>(9,144)</u>	<u>(20,575)</u>
Other Financing Receipts/(Disbursements):			
Advances-In		11,300	11,300
Advances-Out	(11,300)		(11,300)
Other Financing Uses		(2,100)	(2,100)
	<u>(11,300)</u>	<u>9,200</u>	<u>(2,100)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(22,731)	56	(22,675)
Fund Cash Balances, January 1	<u>24,933</u>	<u>131,848</u>	<u>156,781</u>
Fund Cash Balances, December 31	<u>\$2,202</u>	<u>\$131,904</u>	<u>\$134,106</u>

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

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$80,642	\$207,661	\$288,303
Intergovernmental	90,565	101,648	192,213
Charges for Services	2,130	17,666	19,796
Fines, Licenses and Permits	8,162		8,162
Earnings on Investments	4,281		4,281
Miscellaneous	2,480	9,413	11,893
	<u>188,260</u>	<u>336,388</u>	<u>524,648</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	71,977	283,583	355,560
Public Health Services	6,445		6,445
Leisure Time Activities	3,564		3,564
Community Environment	9,621	21,385	31,006
Transportation	50,696	104,991	155,687
General Government	84,159	514	84,673
Debt Service:			
Redemption of Principal		66,800	66,800
Interest and Fiscal Charges		1,969	1,969
	<u>226,462</u>	<u>479,242</u>	<u>705,704</u>
Total Receipts (Under) Disbursements	<u>(38,202)</u>	<u>(142,854)</u>	<u>(181,056)</u>
Other Financing Receipts/(Disbursements):			
Advances-In	31,300	20,000	51,300
Advances-Out	(20,000)	(31,300)	(51,300)
Bond Proceeds		100,000	100,000
	<u>11,300</u>	<u>88,700</u>	<u>100,000</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(26,902)	(54,154)	(81,056)
Fund Cash Balances, January 1	<u>51,835</u>	<u>186,002</u>	<u>237,837</u>
Fund Cash Balances, December 31	<u>\$24,933</u>	<u>\$131,848</u>	<u>\$156,781</u>

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

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	Agency	
	2009	2008
Operating Cash Disbursements:		
Contractual Services	\$800	
Other	275	
	1,075	\$0
Fund Cash Balances, January 1	1,673	1,673
Fund Cash Balances, December 31	\$598	\$1,673

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

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**VILLAGE OF CLINTON
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Clinton, Summit County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides park operations (leisure time activities) and fire protection services (security of persons and property). The Village contracts with the City of New Franklin 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. Accounting Basis

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

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

C. Deposits and Investments

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

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

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 reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

Fire/EMS Fund – This fund receives revenues including tax levies, charges for services fee, and grants and is used to account for expenditures for fire protection for the Village.

3. Fiduciary Funds

Fiduciary funds include private purpose 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 Township'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 as directed by the individual, organization or other government. The Village's agency fund accounts for park rental deposits and the issuance of refunds in accordance with Village ordinances.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

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

	2009	2008
Demand deposits	\$24,722	\$30,668
Investments:		
STAR Ohio		29,416
Repurchase agreement	109,982	98,370
Total investments	109,982	127,786
Total deposits and investments	\$134,704	\$158,454

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

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ended December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$215,170	\$209,286	(\$5,884)
Special Revenue	478,706	349,493	(129,213)
Total	\$693,876	\$558,779	(\$135,097)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$236,830	\$220,717	\$16,113
Special Revenue	371,688	360,737	10,951
Total	\$608,518	\$581,454	\$27,064

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$234,350	\$188,260	(\$46,090)
Special Revenue	478,268	436,388	(41,880)
Total	\$712,618	\$624,648	(\$87,970)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$231,247	\$226,462	\$4,785
Special Revenue	529,800	479,242	50,558
Total	\$761,047	\$705,704	\$55,343

4. Property Tax

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

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

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

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax (Continued)

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

5. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$48,300	4.375%

The Village's taxing authority collateralized the bonds.

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

Year ending December 31:	General Obligation Bonds
2009	\$3,888
2010	3,813
2011	3,839
2012	3,860
2013	3,877
2014-2018	19,393
2019-2023	19,289
2024-2028	17,438
Total	\$75,397

In addition to the debt described above, the Village has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2009 was \$48,300. This disclosure does not include the related defeased debt or assets, since trustee assets should provide sufficient resources to retire the debt.

6. Retirement Systems

The Village's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 24% of full-time fire fighters' wages, respectively. For 2009 and 2008, 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, 2009.

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. 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.



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Clinton, Summit County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated April 1, 2010 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Government uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-002 described in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 1, 2010.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

April 1, 2010

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Material Weakness – Financial Reporting

The following errors were noted in the financial statements that required audit adjustments/reclassification, where applicable:

- The 2008 Special Revenue FEMA Fund Beginning Fund Balance reflected within the Village uniform accounting system (UAN) did not agree with the 2007 audited financial statement Ending Fund Balance by \$4,913 due to the Village not recording the 2007 audit adjustments within the Village UAN system. The audit adjustment was the net effect of the receipts and disbursements for the Special Revenue FEMA Fund that was not posted to the UAN system. As a result, the 2008 Beginning Fund Balance was understated by \$4,913. The amount was posted to the statements and to the Village records.
- The 2008 General Fund Beginning Fund Balance reflected within the Village UAN did not agree with the 2007 audited financial statement Ending Fund Balance by \$4,476 due to the Village not recording the 2007 audit adjustment within the UAN system. The audit adjustment was the net effect of the interest income owed to the various Special Revenue Funds. As a result, the General Fund 2008 Beginning Fund Balance was overstated by \$4,476 and the Special Revenue Street Fund and the Special Revenue State Highway Fund were understated by \$4,179 and \$297, respectively. The amounts were posted to the statements and to the Village records.
- The 2009 and 2008 Special Revenue FEMA Fund Beginning Fund Balance was understated by \$17,185 and \$15,574 (totaling \$32,759 for both years), respectively, due to an improper fund balance adjustment made by the Fiscal Officer to record the FEMA receipts and disbursements for 2009, 2008 and the second half of 2007. [see Finding Number 2009-002] The amounts were posted to the statements and to the Village records.
- The 2009 General Fund Beginning Fund Balance was understated and the Extraordinary Items Receipts were overstated by \$29,358 due to an improper fund balance adjustment recorded in the UAN system to close-out the STAR Ohio investment account. In addition, the 2009 and 2008 General Fund Extraordinary Items receipts improperly reported interest receipts of \$67 and miscellaneous receipts of \$1,140. The amounts were posted to the statements and to the Village records.
- The Special Revenue Fire/EMS Fund 2009 Beginning Fund Balance was overstated by \$96 due to an improper fund balance adjustment to record stale dated fire department payroll checks within the Special Revenue Fire/EMS Fund. The amounts were posted to the statements and to the Village records. The amounts were posted to the statements as a reclass.
- The 2008 Special Revenue Fire/EMS Fund bond proceeds of \$100,000 were misclassified as Other Financing Sources instead of Bond Proceeds within the UAN system. The amounts were posted to the statements as a reclass.
- The 2009 and 2008 Homestead and Rollback monies were misclassified as Property Tax instead of Intergovernmental Revenue for the Special Revenue Fire/EMS Fund of \$31,736 and \$31,413, respectively, and the General Fund of \$10,611 and \$10,562, respectively. The amounts were posted to the statements as a reclass.
- \$50,000 of the 2008 Special Revenue Fire/EMS Fund debt principal repayments was misclassified as Capital Outlay rather than Debt Service: Redemption of Principal. The amounts were posted to the statements as a reclass.

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

FINDING NUMBER 2009-001 (Continued)

To help ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures including a final review of the statements and notes by the Fiscal Officer and the Council, to identify and correct errors and omissions. The Fiscal Officer should also review the UAN accounting system chart of accounts and the Village's Handbook's chart of accounts to help ensure all accounts are being properly posted to the financial statements and adequate account classification exist.

Officials' Response: Most of the items dealt with problems caused by the FEMA account which I have been aware of since the inception of the FEMA project. After my discussion with Auditor of State Assistant Auditor and a UAN representative, I think we have the problem solved. The other balance errors have been corrected, with evidence given to the Assistant Auditor. The misclassifications have been explained to me, and I will not make those same mistakes again.

FINDING NUMBER 2009-002

Material Weakness – Bank Reconciliation

A necessary step in the internal control over financial reporting is to reconcile the bank balance to the cash balance in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the Village's records at a specific point in time. We noted the following conditions during our testing of the bank reconciliations which resulted in audit adjustments:

- Bank reconciliations for the months of April 2009 and May 2009 were not performed. As a result, the bank reconciliations for these months were not approved by Council.
- During 2009, reimbursements from FEMA of \$12,850 were directly deposited into the General bank account and posted to the FEMA Fund within the uniform accounting system (UAN). However, when the \$12,850 was moved from the General bank account to the FEMA bank account the Village wrote a check rather than preparing a bank transfer. As a result, the FEMA Fund expenditures were originally overstated and the fund balance was understated. [see Finding Number 2009-001] The amounts were posted to the statements and to the Village records.
- During 2009 and 2008, the Fiscal Officer wrote manual checks of \$29,266 and \$21,385, respectively, from the FEMA bank account. Although these checks were written and cleared the bank, these amounts were not recorded in the Village's UAN System. As a result, the FEMA Fund expenditures were originally understated and the fund balance was overstated. [see Finding Number 2009-001] The amounts were posted to the statements and to the Village records.
- The 2009 year end outstanding check list included two stale dated checks which were older than six months and no stale dated check policy has been established.
- Unposted investment interest of \$57 at December 2008 was not identified as a reconciling item.
- The December 31, 2009 cash balance per the adjusted bank reconciliation exceeded the December 31, 2009 reported financial statement fund balance by \$45. The amounts were posted to the statements and to the Village records.
- During 2009 and 2008, improper reconciling items were reported on the bank reconciliation of \$32,939 and \$15,754, respectively, which resulted from improper fund adjustments. [see Finding 2009-001]
- Unsupported reconciling items of \$58 and \$34 for 2009 and 2008, respectively.

FINDING NUMBER 2009-002 (Continued)

In order to correct these issues, the Village should:

- Perform timely monthly bank reconciliations to help ensure posting errors are identified and corrected in a timely manner and all monthly bank reconciliations should be provided monthly to the Council for their review and approval.
- Prepare Bank Transfers when moving monies between bank accounts.
- Post all expenditures to the UAN system in a timely manner.
- Place stale dated checks in an unclaimed monies fund for a specified period of time. If after a specified period the money has not been claimed, the money should then revert back to the General Fund. In addition, develop and implement a policy to establish a stale dated check policy. (see AOS Bulletin 91-11)
- Ensure all investment related entries are properly classified and posted to the system in a timely manner.
- Obtain Council approval and post the \$45 cash balance as a General Fund revenue in order to reconcile the book balance to the bank balance.
- Carry unposted receipts and expenditures on the reconciliation until such time the receipts and expenditures can be posted to the accounting system.
- Ensure all reconciling items are supported.

Officials' Response: The issues with the bank reconciliations were due to my being out of town for an extended period of time, the reoccurring problems with the FEMA account (which is now closed), and stale dated checks, which has been another reoccurring problem with some of our firefighters. There should be no reason to incur the problems with the bank reconciliations or FEMA in the future; and Council will look into developing a policy regarding stale dated checks.

FINDING NUMBER 2009-003

Material Noncompliance

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

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the 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.

FINDING NUMBER 2009-003 (Continued)

- 2. Blanket Certificate** – 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. 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.

During 2009 and 2008, one out of four (25%) expenditures tested had a purchase order dated after the invoice date and no "Then and Now" certification was used, which resulted in a purchase order certification non-compliance violation.

In addition, although regular purchase orders and Super Blanket Purchase Orders were prepared and generated by the Fiscal Officer, the purchase orders were not signed by the Fiscal Officer as evidence of certification of available funds.

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

The Village should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Village incurring a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. If “Then and Now” certificates are used, Council would be required to approve those expenditures over \$3,000.

Officials' Response: The problems with Purchase Orders and Certificates will be easy to correct. I will start by making sure are all signed. The other problems are usually a result of being rushed to pay bills that are given to me late when they are already due or past due.

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-1	Preparation of Financial Statements – The “Cash Basis Annual Financial Report” that management prepared and presented for audit contained a number of errors, inconsistencies, and omissions.	No	Partially corrected. However, see Finding 2009-001.
2007-2	Bank Reconciliation – Cash transactions relating to the FEMA Bank Account were not recorded or reconciled to the cash book balance.	No	Not corrected – See Finding 2009-002.
2006-1	Preparation of Financial Statements – The “Cash Basis Annual Financial Report” that management prepared and presented for audit contained a number of errors, inconsistencies, and omissions.	No	Partially corrected. However, see Finding 2009-001.
2006-2	Bank Reconciliation – Bank cash balance did not agree with ending book balance. Bank accounts were not reconciled to the monthly receipts and disbursement reports.	No	Not corrected – See Finding 2009-002.
2006-3	Appropriations exceeded Estimated Resources in the General Fund by \$452,699, Fire/EMS Fund by \$81,331, Street Fund by \$5,500, and State Highway Fund by \$700.	No	Partially corrected – See Management Letter.



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
MAY 11, 2010**