

VILLAGE OF CLINTON

SUMMIT COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2013 & 2012





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Clinton, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 27, 2014

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VILLAGE OF CLINTON
SUMMIT COUNTY

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Clinton, Summit County, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Clinton, Summit County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Charles E. Harris

Charles E. Harris & Associates, Inc.

July 16, 2014

**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, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$77,710	\$260,243	\$337,953
Municipal Income Tax	238,993	-	238,993
Intergovernmental	109,624	103,986	213,610
Charges for Services	1,584	106,341	107,925
Fines, Licenses and Permits	13,584	-	13,584
Miscellaneous	13,604	15,355	28,959
<i>Total Cash Receipts</i>	<u>455,099</u>	<u>485,925</u>	<u>941,024</u>
Cash Disbursements			
Current:			
Security of Persons and Property	82,903	264,775	347,678
Public Health Services	10,870	-	10,870
Leisure Time Activities	25,320	-	25,320
Community Environment	23,145	-	23,145
Transportation	20,151	99,732	119,883
General Government	62,383	-	62,383
Capital Outlay	-	114,364	114,364
Debt Service:			
Principal Retirement	20,266	12,422	32,688
Interest and Fiscal Charges	2,059	1,046	3,105
<i>Total Cash Disbursements</i>	<u>247,097</u>	<u>492,339</u>	<u>739,436</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	208,002	(6,414)	201,588
Other Financing Receipts (Disbursements)			
Sale of Notes	-	112,000	112,000
Transfers In	-	21,960	21,960
Transfers Out	(12,500)	(9,460)	(21,960)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(12,500)</u>	<u>124,500</u>	<u>112,000</u>
<i>Net Change in Fund Cash Balances</i>	195,502	118,086	313,588
<i>Fund Cash Balances, January 1</i>	<u>71,117</u>	<u>270,652</u>	<u>341,769</u>
Fund Cash Balances, December 31			
Restricted	-	379,278	379,278
Committed	8,300	9,460	17,760
Assigned	12,040	-	12,040
Unassigned	246,279	-	246,279
<i>Fund Cash Balances, December 31</i>	<u>\$266,619</u>	<u>\$388,738</u>	<u>\$655,357</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 CASH FUND BALANCES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

<i>Fund Cash Balances, January 1</i>	<u>\$160</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$160</u></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, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$72,500	\$241,403	\$313,903
Municipal Income Tax	108,163	-	108,163
Intergovernmental	67,632	137,560	205,192
Charges for Services	2,155	30,156	32,311
Fines, Licenses and Permits	13,546	-	13,546
Earnings on Investments	136	-	136
Miscellaneous	1,523	7,391	8,914
<i>Total Cash Receipts</i>	<u>265,655</u>	<u>416,510</u>	<u>682,165</u>
Cash Disbursements			
Current:			
Security of Persons and Property	87,846	235,221	323,067
Public Health Services	7,400	-	7,400
Leisure Time Activities	1,600	-	1,600
Community Environment	9,186	-	9,186
Transportation	15,635	114,753	130,388
General Government	68,404	1,400	69,804
Debt Service:			
Principal Retirement	-	13,217	13,217
Interest and Fiscal Charges	-	1,783	1,783
<i>Total Cash Disbursements</i>	<u>190,071</u>	<u>366,374</u>	<u>556,445</u>
<i>Net Change in Fund Cash Balances</i>	75,584	50,136	125,720
<i>Fund Cash Balances, January 1</i>	<u>(4,467)</u>	<u>220,516</u>	<u>216,049</u>
Fund Cash Balances, December 31			
Restricted	-	270,652	270,652
Assigned	1,454	-	1,454
Unassigned	69,663	-	69,663
<i>Fund Cash Balances, December 31</i>	<u>\$71,117</u>	<u>\$270,652</u>	<u>\$341,769</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 CASH FUND BALANCES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

<i>Fund Cash Balances, January 1</i>	<u>\$160</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$160</u></u>

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

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 participates in the Ohio Government Risk Management Plan public entity risk pool. Note 8 to the financial statements provide additional information for this entity.

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. In May 2012, the Village closed all investment accounts and has only a checking account.

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, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (continued)

2. Special Revenue Funds

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

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

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 agency funds. 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 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, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (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 carried over, and need not be reappropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

Council can *commit* amounts via formal action (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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

The Village maintains a deposit 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:

	2013	2012
Demand deposits	\$655,517	\$341,929
Total deposits	\$655,517	\$341,929

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$225,056	\$455,099	\$230,043
Special Revenue	519,850	619,885	100,035
Total	\$744,906	\$1,074,984	\$330,078

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (continued)

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$244,392	\$271,637	(\$27,245)
Special Revenue	547,152	518,636	28,516
Total	\$791,544	\$790,273	\$1,271

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$195,525	\$265,655	\$70,130
Special Revenue	407,850	416,510	8,660
Total	\$603,375	\$682,165	\$78,790

2012 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$204,303	\$191,525	\$12,778
Special Revenue	415,529	373,246	42,283
Total	\$619,832	\$564,771	\$55,061

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.

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

5. Local Income Tax

Effective January 1, 2012 the Village began levying a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. The tax is being collected and processed by the Regional Income Tax Authority (RITA).

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Bank Loan	\$91,734	3.65%

In 2013, the Village obtained a loan from The Apple Creek Banking Company bank related to the purchase of a 2013 International 7400 Truck with Snow and Ice Package. The loan was for \$112,000 with an interest rate of 3.65 percent. The loan will be repaid in monthly installments of \$2,046 beginning in April of 2013 and ending in April of 2018. Further, the Village paid an additional payment of \$5,954 at the beginning of the loan.

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

Year ending December 31:

	Bank Loan	
2014	\$ 24,552	
2015	24,552	
2016	24,552	
2017	24,552	
2018	2,230	
Total	\$ 100,438	

7. Retirement Systems

The Village's certified firefighters 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. From January 1, 2012 through July 1, 2013, OP&F plan members were required to contribute 10% of their annual covered salary. From July 2, 2013 through December 31, 2013, OP&F plan members were required to contribute 10.75% of their annual covered salary. For 2013 and 2012, the Village contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2013 and 2012, 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, 2013.

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011, respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available).

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

**VILLAGE OF CLINTON
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

9. Related Party Transactions

During 2013, the Village entered into a contract in the amount of \$1,000 with a company owned by the daughter of the Mayor. BS Emergency Management was contracted to conduct an emergency management plan review and update for the Village.

10. Contingent Liabilities

Management believes there are no pending claims or lawsuits.

11. Interfund Transfers

The Village had transfers during 2013 that were to subsidize operations or to set aside money in a newly created Special Revenue Fund. All interfund activity was made in accordance with the Ohio Revised Code.

12. Budgetary Noncompliance

- The Village had expenditures in excess of appropriations in 2013, contrary to Ohio Revised Code Section 5705.41(B).
- Contrary to the Ohio Revised Code Section 5705.39 the Village had appropriations in excess of estimated resources in several funds in 2013 and 2012.
- Contrary to the Section 5705.36 (A)(1), the Village submitted their Official Certificate of Estimated Resources to the County Auditor, but included incorrect beginning balances for both years.

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Clinton, Summit County (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated July 16, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-04 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2013-01, 2013-02 and 2013-03.

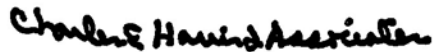
We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 16, 2014.

Entity's Responses to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
July 16, 2014

VILLAGE OF CLINTON
SUMMIT COUNTY

Schedule of Findings
December 31, 2013 and 2012

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

Finding Number 2013-01 – Noncompliance

Expenditures Plus Encumbrances Exceeding Appropriations

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2013, the General Fund total expenditures and encumbrances of \$271,637 exceeded total appropriations of \$244,392 by \$27,245. The Special Revenue Street Construction Maintenance and Repair Fund total expenditures and encumbrances of \$91,466 exceeded total appropriations of \$86,401 by \$5,065. The Special Revenue State Highway Fund total expenditures and encumbrances of \$6,728 exceeded total appropriations of \$3,400 by \$3,328.

The Fiscal Officer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the legal level of control to avoid overspending.

Finding Number 2013-02 – Noncompliance

Certification of Available Revenue

Ohio Rev. Code Section 5705.36 (A)(1) indicates on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county fiscal officer the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year. Although, the Certificate of the Total Amount From All Sources Available for Expenditures, and Balances was filed with the Summit County Auditor for fiscal year 2013 and 2012, the beginning fund balances were incorrect.

The Village should ensure they file on or about the first day of the fiscal year an accurate Certificate of the Total Amount From All Sources Available for Expenditures, and Unencumbered Balances existing at the end of the preceding year.

Finding Number 2013-03 – Noncompliance

Appropriations Exceeding Estimated Resources

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

At December 31, 2012, the following fund's total appropriations exceeded total estimated resources:

General Fund (\$13,245)

Special Revenue Fund:

Street Construction Maintenance and Repair Fund (\$28,521)

VILLAGE OF CLINTON
SUMMIT COUNTY

Schedule of Findings – (continued)
December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (continued)
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Finding Number 2013-03 – Noncompliance (continued)

At December 31, 2013, the following fund total appropriations exceeded total estimated resources:

Special Revenue Fund:
Street Construction Maintenance and Repair Fund (\$21,898)

The Fiscal Officer should monitor appropriations and estimated resources on a regular basis and make modifications accordingly.

Finding Number 2013-04 - Material Weakness

Our testing revealed several instances where errors were made with respect to the posting and reporting of various transactions. During 2012 and 2013, these misclassifications included the following:

- During 2012, one Homestead and Rollback receipt was misclassified as Property Taxes revenue instead of Intergovernmental revenue. For the General Fund \$5,093 was misclassified and for the Special Revenue Fire/EMS Fund \$16,003 was misclassified.
- During 2013, a receipt of permissive license tax monies was misclassified as Miscellaneous revenue instead of Intergovernmental revenue in the amount of \$22,320, although it was posted to the correct fund.
- During 2012 and 2013, Special Revenue Fire/EMS Fund debt principal and interest repayments were misclassified as Capital Outlay (2012) and Security of Persons and Property (2013) rather than Debt Service: Principal and interest amounts were \$13,217 and \$1,783, respectively in 2012 and \$12,422 and \$1,046, respectively in 2013. This debt was paid off in 2013.
- During 2012, Northeast Ohio Public Utilities Commission grant funds of \$900 received in prior years were accounted for as an Agency Fund instead of a Special Revenue Fund. This fund has no balance as of December 31, 2012 or 2013.
- During 2013, the Village obtained a bank loan related to the purchase of new road truck with ice package in the amount of \$112,000. The Village failed to record the proceeds of the loan as well as the corresponding capital outlay. Further, debt and interest payments were misclassified as General Government rather than Debt Service. Principal and interest amounts in 2013 were \$20,266 and \$2,059, respectively.

Management agrees with these adjustments and they were adjusted in the Village's records and the accompanying financial statements.

We recommend the Village use more caution to ensure all activities of the Village are recorded accurately. Management should refer to the Village Officers' Handbook and UAN to ensure proper fund and account classification.

Management's Responses:

Management will review their budgetary procedures and modify accordingly to avoid violations. Also, we will review all transactions more thoroughly when posting. We will utilize the Village Officers' Handbook, UAN and other Auditor of State guidance when posting.

VILLAGE OF CLINTON
SUMMIT, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2013 and 2012

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-01	Noncompliance – Expenditures Exceeding Appropriations	No	Not Corrected; Repeated as Finding 2013-01
2011-02	Noncompliance – Certification of Available Revenue	No	Not Corrected; Repeated as Finding 2013-02
2011-03	Material Weakness - Financial Reporting: Various errors were noted in financial statements that required audit adjustments and reclassifications.	No	Not Corrected; Repeated as Finding 2013-04



Dave Yost • 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
SEPTEMBER 9, 2014**