Village of Clinton

Financial Condition
As of
December 31, 2006

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 Accountant's Report* of the Village of Clinton, Summit County, prepared by Kevin L. Penn, Inc, for the audit period January 1, 2006 to December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountant's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountant's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 2, 2009

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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VILLAGE OF CLINTON

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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 Accountant'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 years ended December 31, 2006. 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.

Except as discussed in paragraph six, I conducted my 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' *Governmental Auditing Standards.* Those standards require that I 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. I believe my audit provides a reasonable basis for my 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 I cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, I 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 the 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. My opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the third following paragraph.

In my opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2006 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, 2006 or the change in financial position for the year then ended.

I was unable to determine the completeness, occurrence, allocation, and rights and obligations of cash receipts and cash disbursements recorded in the General Fund and the Special Revenue Fund during 2006 In addition, the Village of Clinton, did not maintain adequate accounting records for the year ended December 31, 2006, and I was unable to apply procedures to verify the proper classification of cash receipts and cash disbursements, or whether accounting principles have been consistently applied between 2005 and 2006.

Also, in my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary, had I been able to obtain the information and documentation to support the cash receipts and cash disbursements for the year ended December 31, 2006, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Clinton, as of December 31, 2006 for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2006. The Government 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 December 11, 2008, 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. While I did not opine on the internal control over financial reporting or on compliance, that report describes the scope of my 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 my audit.

Kevin L. Penn, Inc.

December 11, 2008

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, 2006

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	(Memorandum Only)
Cash Receipts:				
Property Tax and Other Local Taxes	$ 82,980	$ 137,763	$ -	$ 220,743
Intergovernmental Receipts	104,694	392,209		496,903
Charges for Services	1,000	11,193		12,193
Fines, Licenses, and Penalties	8,612			8,612
Earnings on Investments	10,206	2,020		12,226
Other Revenue	106,446	85,758		192,204
Total Cash Receipts	313,938	628,943	-	942,881
Cash Disbursements:				
Current:				
Security of Persons and Property	56,419	252,512		308,931
Public Health Services	14,592			14,592
Leisure Time Activities	1,000			1,000
Community Environment		334,012		334,012
Transportation	37,173	32,653		69,826
General Government	198,381			198,381
Debt Service:				
Principal Payments		27,815		27,815
Interest Payments		3,142		3,142
Basic Utility Services	7,613	8,706		16,319
Total Cash Disbursements	315,178	658,840	-	974,018
Total Receipts Over/(Under) Disbursements	(1,240)	(29,897)	-	(31,137)
Other Financing Receipts/(Disbursements)				
Transfers-In	13,373	13,373		26,746
Transfers-Out	(13,373)		(13,373)	(26,746)
Other Financing Sources				-
Other Financing Uses				-
Total Other Financing Receipts/(Disbursements)	-	13,373	(13,373)	-
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,240)	(16,524)	(13,373)	(31,137)
Fund Cash Balance - January 1, 2006	128,476	107,349	13,373	249,198
Fund Cash Balance - December 31, 2006	$ 127,236	$ 90,825	$ -	$ 218,061
Reserves for Encumbrances, December 31, 2006	$ -	$ -	$ -	$ -

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, 2006

Fund Cash Balances, January 1	$ 1,673
Fund Cash Balances, December 31	$ 1,673

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, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting 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 nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criteria was considered in determining the reporting entity. The Village has no component units.

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 funds (including STAR Ohio) are recorded at shares fair market values reported by the fund.

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

This fund was 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. This fund was closed, during the 2006 calendar year.

4. 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.

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 2006 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.

H. Total Columns of Financial Statements

Amounts in the "Totals (Memorandum Only)" columns of the financial statements represent a summation of the financial statements line items of the fund types and account groups. These amounts are presented for analytical purposes only. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

2. DEPOSITS AND INVESTMENTS

Legal Requirements

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook 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;

5. Time certificates of deposit or savings or deposit accounts, including but not limited to, passbook accounts;

2. DEPOSITS AND INVESTMENTS (continued)

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.

<u>Deposits.</u> At year-end, the carrying amount of the Village's deposits was $192,461 and the bank balance was $203,140. Of the bank balance, $100,000 was covered by federal depository insurance and $103,140 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.

<u>Investments.</u> 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 2006. 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.

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, 2006. At year end, the carrying amount of the Village's deposits with Star Ohio was $27,273 and the market value was $27,273.

2. DEPOSITS AND INVESTMENTS (continued)

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.

Reconciliation of cash and cash equivalents and investments is as follows:

	Cash and Cash Equivalents	Investments
Per Combined Statement of Cash Receipts, Disbursements And Changes in Fund Cash Balance	$ 192,461	$ 27,273
STAR Ohio	27,273	(27,273)
Per GASB Statement No. 3	$ 219,734	$ 0

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 follows:

2006 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	$ 313,738	$ 327,311	$ 13,573
Special Revenue	297,702	642,316	344,614
Debt Service	-	-	-
Total	$ 611,440	$ 969,627	$ 358,187

2006 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	$ 766,438	$ 328,551	$ 437,887
Special Revenue	383,733	658,840	(275,107)
Debt Service	-	13,373	(13,373)
Total	$ 1,150,171	$ 1,000,764	$ 149,407

During the 2006 calendar year, the General Fund and Special Revenue Fund had appropriations that exceeded the estimated resources. In addition, the Special Revenue Fund and Debt Service Fund had expenditures that exceeded appropriations.

4. 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.

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, 2006 was as follows:

1999 Fire Truck Note	$ 43,714	5.25%
Total	$ 43,714	

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 aggregate amounts of long-term debt maturities following 2006 are as follows:

Year	Principal	Interest	Total
2007	$ 16,786	$ 1,983	$ 18,769
2008	$ 17,698	$ 1,071	$ 18,769
2009	$ 9,230	$ 154	$ 9,384
Total	$ 43,714	$ 3,208	$ 46,922

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 2006, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 9.0 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Village was 13.70 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, 2006, 2005, and 2004 were $8,808, $8,356 and $9,156 respectively, and Village's required contributions to OP&F for the fiscal years ended December 31, 2006, 2005, and 2004 were $8,268, $7,442 and $7,302 respectively. 100 percent of the contributions have been for 2006, 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 2006 employer contribution rate was 13.70 percent of covered payroll, 4 percent was the portion that was used to fund health care for 2006.

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, 2006, 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, 2006, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 374,130. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2006 (the latest information available) were $12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $30.7 billion and $18.7 billion, respectively.

8. POST-EMPLOYMENT BENEFITS (continued)

On September 9, 2006 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2006. 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 Accountant'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 years ended December 31, 2006, and have issued my report thereon dated December 11, 2008. 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 in the United States of America. In addition, I qualified my report because I was unable to satisfy myself to the completeness, occurrence, allocation, and rights and obligations of cash receipts and cash disbursements recorded in the General Fund and the Special Revenue Fund during 2006. Furthermore, the Village of Clinton, did not maintain adequate accounting records for the year ended December 31, 2006, and I was unable to apply procedures to verify the proper classification of cash receipts and cash disbursements, or whether accounting principles have been consistently applied between 2005 and 2006. Except as discussed in the preceding sentence, 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.

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 an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be significant deficiencies. Significant deficiencies involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Village of Clinton's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Significant deficiencies are described in the accompanying schedule of findings as 2006-1 and 2006-2.

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 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider items 2006-1 and 2006-2 to be a material weakness.

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 that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings as items 2006-1, 2006-2 and 2006-3.

I noted certain matters that I reported to management of Village of Clinton in a separate letter dated December 11, 2008.

The Village of Clinton’s response to the findings identified in my audit is described in the accompanying schedule of findings. I did not audit the Village of Clinton’s response and, accordingly, I express no opinion on it.

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

Kevin L. Penn, Inc.

Village of Clinton
Summit County

Schedule of Findings
December 31, 2006

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

2006-1

Preparation of Financial Statements

Condition:

The "Cash Basis Annual Financial Report" that management prepared and presented for audit contained a number of errors, inconsistencies, and omissions. From August to December, cash receipts and cash disbursements were not classified by account category. The year-to-date account categories were estimated.

Criteria:

The internal controls established by management, pertaining to the "Cash Basis Annual Financial Report" should operate in a matter which should prevent or detect errors, inconsistencies, and omissions.

Effect:

The financial statements provided contained errors and inconsistencies.

Cause:

Inadequately designed control policies and procedures related to the preparation of the financial statements.

Recommendation:

I recommend that management should assess the adequacy of the design of its policies and procedures related to preparation of financial statements and the design appropriate controls as necessary to rectify inadequacies. Furthermore, management should consider where errors or fraud could occur that would cause a material misstatement in the financial statements and which policies or procedures would prevent or detect the error or fraud on a timely basis.

Auditee's Response:

The problems in 2006 related to the preparation of financial statements, bank reconciliation, and budgetary, were mostly caused by a change in personnel, i.e. fiscal officer. This change resulted in misplaced or missing documents, incomplete information as well as misinformation, and a lack of training.

Village of Clinton
Summit County

Schedule of Findings
December 31, 2006

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

2006-2

Bank Reconciliation

Condition:

Bank accounts were not reconciled to the monthly receipts and disbursement reports. As a result, the ending book cash balance did not agree to the actual cash reconciliation balance in the bank; therefore, producing inaccurate financial statements. Furthermore, the Village's books three difference cash balances as of December 31, 2006.

Criteria:

Each month the cash receipts and disbursement reports by fund should be reconciled to the bank reconciliation.

Effect:

The following cash balances were reported as of December 31, 2006:

1. Depository Balances per the "Cash Basis Annual Financial Report"	$230,462.48
2. Fund Cash Balance per the "Cash Basis Annual Financial Report"	$214,110.56
3. Book Cash Balance per the "Detail General Ledger"	$217,104.25

Cause:

Reconciliations were not performed on a monthly basis.

Recommendation:

I recommend that cash receipts and disbursement monthly reports be reconciled to the monthly bank reconciliation. By performing this procedure, the risk of presenting inaccurate financial statements will be significantly reduced.

Auditee's Response:

The problems in 2006 related to the preparation of financial statements, bank reconciliation, and budgetary, were mostly caused by a change in personnel, i.e. fiscal officer. This change resulted in misplaced or missing documents, incomplete information as well as misinformation, and a lack of training.

Village of Clinton
Summit County

Schedule of Findings
December 31, 2006

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

2006-3

Budgetary

Condition:

Appropriations exceeded estimated resources in the following funds:

Fund	Estimated Resources	Appropriations	Variance
General Fund	$ 313,739	$ 766,438	$(452,699)
Fire Fund	$ 210,202	$ 291,533	$(81,331)
Street Construction	$ 70,000	$ 75,500	$(5,500)
State Highway	$ 2,500	$ 3,200	$(700)

Criteria:

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.

Effect:

There were four instances whereby appropriations exceeded estimated resources.

Cause:

Lack of internal control, regarding the budgetary process.

Recommendation:

I recommend that 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.

Auditee's Response:

The problems in 2006 related to the preparation of financial statements, bank reconciliation, and budgetary, were mostly caused by a change in personnel, i.e. fiscal officer. This change resulted in misplaced or missing documents, incomplete information as well as misinformation, and a lack of training.

Village of Clinton
Summit County

Schedule of Prior Audit Findings
December 31, 2006

Finding Number 2005-1

Finding Summary:

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.

Appropriations Exceeding Estimated Resources

Fund	Estimated Resources	Appropriations	Variance
Capital Project Fund	$ -0-	$ 223,197	$ 223,197

Fully Corrected?

No.

Current Status:

During 2006, there were four instances whereby appropriations exceeded estimated resources.

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
APRIL 14, 2009

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us