

**Village of Tarlton
Pickaway County**

Regular Audit

For the Years Ended December 31, 2007 and 2006
Fiscal Years Audited Under GAGAS: 2007 and 2006

BALESTRA, HARR & SCHERER, CPAs, INC.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639, www.bhsepas.com



Mary Taylor, CPA

Auditor of State

Village Council
Village of Tarlton
P.O. Box 155
Tarlton, Ohio 43156

We have reviewed the *Independent Auditor's Report* of the Village of Tarlton, Pickaway County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2007. 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 Auditor'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 Auditor'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 Tarlton is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 29, 2008

This Page is Intentionally Left Blank.

VILLAGE OF TARLTON
PICKAWAY COUNTY
TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2007	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – Proprietary Fund Type For the Year Ended December 31, 2007	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2006	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – Proprietary Fund Type For the Year Ended December 31, 2006	6
Notes to the Financial Statements	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	16
Schedule of Findings and Responses	18

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Village Council
Village of Tarlton
Pickaway County
PO Box 155
Tarlton, Ohio 43156

We have audited the accompanying financial statements of the Village of Tarlton, Pickaway County, (the Village) as of and for the years ended December 31, 2007 and 2006. 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 Standard*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, 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.

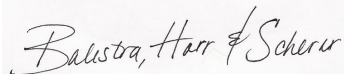
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the GAAP presentation requirements. The Auditor of State permits, but does not require governments 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, 2007 and 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, 2007 and 2006, or its changes in financial position or cash flows of its proprietary funds 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 and reserves for encumbrances of the Village of Tarlton, Pickaway County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

The Village has not presented Management's Discussion & 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 May 23, 2008, 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.



Balestra, Harr & Scherer, CPAs, Inc.

May 23, 2008

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Local Taxes	\$ 8,927	\$ 815	\$ -	\$9,742
Intergovernmental	25,056	14,999	-	40,055
Charges for Services	4,920	-	-	4,920
Fines, Licenses, and Permits	211	-	-	211
Earnings on Investments	390	664	-	1,054
Miscellaneous	282	-	-	282
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	39,786	16,478	-	56,264
Cash Disbursements:				
Current:				
Security of Persons & Property	-	1,038	-	1,038
Public Health Service	425	-	-	425
Leisure Time Activities	294	-	-	294
Basic Utility Services	2,841	-	-	2,841
Transportation	-	9,054	-	9,054
General Government	27,175	-	-	27,175
Capital Outlay	-	25,074	-	25,074
Debt Service:				
Redemption of Principal	-	-	4,297	4,297
Interest and Fiscal Charges	-	-	1,703	1,703
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	30,735	35,166	6,000	71,901
Total Cash Receipts Over/(Under) Cash Disbursements	9,051	(18,688)	(6,000)	(15,637)
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Transfers-In	-	-	5,500	5,500
Transfers-Out	(5,500)	-	-	(5,500)
Other Uses	(333)	-	-	(333)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(5,833)	-	5,500	(333)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,218	(18,688)	(500)	(15,970)
Fund Cash Balances, January 1	37,375	59,935	500	97,810
Fund Cash Balances, December 31	<u>\$ 40,593</u>	<u>\$ 41,247</u>	<u>\$ -</u>	<u>\$ 81,840</u>
Reserve for Encumbrances, December 31	<u>\$ 616</u>	<u>\$ 220</u>	<u>\$ -</u>	<u>\$ 836</u>

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

VILLAGE OF TARLTON
PICKAWAY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Disbursements:	
Capital Outlay	<u>\$ 25,074</u>
Total Operating Cash Disbursements	<u>25,074</u>
Net Cash Receipts Over Cash Disbursements	(25,074)
Fund Cash Balances, January 1	<u>25,074</u>
Fund Cash Balances, December 31	<u><u>\$ -</u></u>

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

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Local Taxes	\$ 6,905	\$ 812	\$ -	\$7,717
Intergovernmental	26,279	40,323	-	66,602
Charges for Services	3,840	-	-	3,840
Earnings on Investments	433	476	-	909
Miscellaneous	857	-	-	857
	<u>38,314</u>	<u>41,611</u>	<u>-</u>	<u>79,925</u>
Total Cash Receipts				
	38,314	41,611	-	79,925
Cash Disbursements:				
Current:				
Security of Persons & Property	1,572	-	-	1,572
Public Health Service	310	-	-	310
Leisure Time Activities	117	-	-	117
Transportation	-	10,791	-	10,791
General Government	30,610	-	-	30,610
Debt Service:				
Redemption of Principal	-	-	4,072	4,072
Interest and Fiscal Charges	-	-	1,928	1,928
	<u>32,609</u>	<u>10,791</u>	<u>6,000</u>	<u>49,400</u>
Total Cash Disbursements				
	32,609	10,791	6,000	49,400
Total Cash Receipts Over/(Under) Cash Disbursements	5,705	30,820	(6,000)	30,525
Other Financing Receipts and (Disbursements):				
Transfers-In	27,357	-	6,500	33,857
Transfers-Out	(6,500)	(27,357)	-	(33,857)
Other Uses	(20)	-	-	(20)
	<u>20,837</u>	<u>(27,357)</u>	<u>6,500</u>	<u>(20)</u>
Total Other Financing Receipts/(Disbursements)				
	20,837	(27,357)	6,500	(20)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	26,542	3,463	500	30,505
Fund Cash Balances, January 1	<u>10,833</u>	<u>56,472</u>	<u>-</u>	<u>67,305</u>
Fund Cash Balances, December 31	<u>\$ 37,375</u>	<u>\$ 59,935</u>	<u>\$ 500</u>	<u>\$ 97,810</u>

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

VILLAGE OF TARLTON
PICKAWAY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Non-Operating Cash Receipts:	
Intergovernmental	\$ 25,074
Total Non-Operating Cash Receipts	<u>25,074</u>
Net Cash Receipts Over Cash Disbursements	25,074
Fund Cash Balances, January 1	<u>-</u>
Fund Cash Balances, December 31	<u>\$ 25,074</u>

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

Village of Tarlton
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Tarlton (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 general government services, road and bridge maintenance, and police services.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

BASIS OF PRESENTATION – FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village.

GOVERNMENTAL FUNDS

General Fund

The general fund is used to account for all activities for all activities of the Village not required to be included in another fund. The general fund balance is available to the village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Village had the following significant special revenue fund:

Street construction, Maintenance and Repair Fund: This fund receives gasoline tax and motor vehicle tax monies for constructing, maintaining and repairing Village streets.

Debt Service Fund

This fund accounts for resources to be used to meet the Village's debt requirements.

Debt Service Fund: This fund accounts for the repayment of the Village's bank loan used to acquire land for use as a park. It receives transfers in from the general fund to make principal and interest payments.

Enterprise Fund

This fund accounts for operations that are similar to private business enterprises where management intends that significant costs of providing certain goods or services will be recovered through user charges.

OPWC Sewer Project Fund: This fund receives intergovernmental grants to cover the costs of a sewer project.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

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 are recognized when paid rather than when a liability is incurred. 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).

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The county Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The county Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projective receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission funds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. The Village did not adopt supplemental appropriations during 2007 and 2006.

Village of Tarlton
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation,

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. The Village had no outstanding encumbrances at December 31, 2006.

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the village considers “Cash and Cash Equivalents” to be cash on hand. Demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$1,054 and \$909 for the years ended December 31, 2007 and 2006, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village’s funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village’s cash basis method of accounting.

G. INTERFUND TRANSACTIONS

During the course of normal operations, the Village had transactions between funds. The most significant include:

Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.

H. TOTAL COLUMNS OF FINANCIAL STATEMENTS

Total columns on the financial statements are captioned “Total (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

Village of Tarlton
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 3 – CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$ 71,226	\$112,791
Investments in STAR Ohio	10,614	10,093
Total Deposits and Investment	\$ 81,840	\$122,884

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

Investments: Investments in STAR Ohio are not endorsed by securities that exist in physical or book-entry form. Investments in STAR Ohio is valued at amounts reported by the State Treasurer. Investments are reported as assets. Accordingly, purchase of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements respectively.

NOTE 4 – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$39,786	\$39,786
Special Revenue	0	16,478	16,478
Debt Service	0	5,500	5,500
Enterprise	0	0	0
Total	\$0	\$61,764	\$61,764

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 53,228	\$ 37,184	\$16,044
Special Revenue	40,045	35,386	4,659
Debt Service	6,180	6,000	180
Enterprise	25,074	25,074	0
Total	\$124,527	\$103,644	\$20,883

Village of Tarlton
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 4 – BUDGETARY ACTIVITY (CONTINUED)

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,344	\$ 65,671	\$28,327
Special Revenue	7,818	41,611	33,793
Debt Service	6,695	6,500	(195)
Enterprise	0	25,074	25,074
Total	\$51,857	\$138,856	\$86,999

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 47,975	\$39,129	\$ 8,846
Special Revenue	64,289	38,148	26,141
Debt Service	6,000	6,000	0
Enterprise	0	0	0
Total	\$118,264	\$83,277	\$34,987

Contrary to Ohio law, the Village did not certify amounts to the County Auditor for total sources available in 2007, the Village did not pass a tax budget in 2006, the Village did not timely pass appropriations in 2007, the Village had appropriations in excess of estimated resources in 2006 and 2007, and the Village did not pass resolutions for transfers made in 2006 and 2007.

NOTE 5 – INTERFUND TRANSACTIONS

The following is a summarized breakdown of the Village's operating transfers for 2007 and 2006:

2007	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND	\$27,357	\$ 6,500
<u>DEBT SERVICE FUND:</u>		
Debt Service	\$6,500	-
<u>SPECIAL REVENUE FUND:</u>		
Street	-	27,357
Totals	\$ 33,857	\$ 33,857

2006	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND	\$ -	\$ 5,500
<u>DEBT SERVICE FUND:</u>		
Debt Service	5,500	-
Totals	\$ 5,500	\$ 5,500

Village of Tarlton
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 5 – INTERFUND TRANSACTIONS (Continued)

The transfers from the General Fund were for debt payments in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16 during the years ended December 31, 2007 and 2006. The transfer from the Street fund was made by court order in accordance with Ohio Revised Code 5705.15 to provide monies needed for general Village operations.

NOTE 6 – PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. 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 by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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 taxes, billing, collecting, and distributing all property taxes on behalf of the Village.

NOTE 7 – DEBT OBLIGATIONS

At December 31, 2007 and 2006, the Village debt obligation consisted of the following issuance:

<u>Description</u>	<u>Balance at 12/31/2007</u>	<u>Balance at 12/31/2006</u>
2002 Note with The Savings Bank For the purchase of park land, due in Monthly installments of \$500 through 2012, bearing interest at 5.40%.	\$ 29,142	\$ 33,439

Transactions for the years ended December 31, 2007 and 2006 are summarized as follows:

<u>Description</u>	<u>Balance at December 31, 2006</u>	<u>Proceeds</u>	<u>Payment</u>	<u>Balance at December 31, 2007</u>
Note- The State Savings Bank	\$33,439	\$ -	\$ (4,297)	\$ 29,142

<u>Description</u>	<u>Balance at December 31, 2005</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at December 31, 2006</u>
Note- The State Savings Bank	\$37,511	\$ -	\$ (4,072)	\$ 33,439

Village of Tarlton
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 7 – DEBT OBLIGATIONS (Continued)

The principal and interest requirements to retire the debt obligation outstanding at December 31, 2007, are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Loan – State Savings Bank – 2002</u>	
	<u>Principal</u>	<u>Interest</u>
2008	4,534	1,466
2009	4,789	1,211
2010	5,054	946
2011	5,334	666
2012	<u>9,431</u>	<u>224</u>
Total	<u>\$ 29,142</u>	<u>\$ 4,513</u>

NOTE 8 – RETIREMENT SYSTEM

The Village’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9 percent respectively of their gross salaries. The Village contributed an amount equal to 13.85 and 13.7 percent, respectively of participants’ gross salaries. The Village has paid all contributions required through December 31, 2007.

NOTE 9 – RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries tom employees through the Ohio Bureau of Worker’s Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements, and other expenses resulting from covered claims that exceed the members’ deductible.

Casualty Coverage

For an occurrence prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000 up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP’s retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Village of Tarlton
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 9 – RISK MANAGEMENT (Continued)

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are obligation of the respective local government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statement (audited by other accountants) conform with generally accepted accounting principals, and report the following assets, liabilities and retaining earnings at December 31, 2006 and 2005 (the latest information available):

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 30,997,868	\$ 29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained Earnings	<u>\$ 15,122,127</u>	<u>\$ 13,725,507</u>
 <u>Property Coverage</u>	 <u>2006</u>	 <u>2005</u>
Assets	\$ 5,125,326	\$ 4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,245)</u>
Retained Earnings	<u>\$ 4,262,163</u>	<u>\$ 3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$5,452. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

Based on discussion with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Village of Tarlton
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 9 – RISK MANAGEMENT (Continued)

Contributions to PEP

2006	\$2,108
2007	\$2,726

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 10 – CONTINGENT LIABILITIES

LITIGATION

The Village is currently not involved in litigation.

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Village Council
Village of Tarlton
PO Box 155
Tarlton, Ohio 43156

We have audited the financial statements of the Village of Tarlton, Pickaway County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 23, 2008 wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that entity's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. These items have been identified in the accompanying schedule of findings as items 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies, resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Internal Control over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of the section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we consider both items 2007-001 and 2007-002 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 compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially effect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items No. 2007-003, 2007-004, 2007-005, 2007-006 and 2007-007.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the management of the Village in a separate letter dated May 23, 2008.

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



Balestra, Harr & Scherer, CPAs, Inc.
May 23, 2008

VILLAGE OF TARLTON
Pickaway County

Schedule of Findings and Responses
For the Years Ended December 31, 2007 and 2006

Finding 2007-001

Material Weakness

The Village did not perform bank reconciliations timely throughout the two year audit period. This resulted in several posting errors and omissions in the accounting system going undetected for a period of time. Lack of timely reconciliations also does not allow the Village to accurately be able to assess the Village's financial situation for informed decision-making. The Village Clerk-Treasurer should perform bank reconciliations on a monthly basis and investigate and timely resolve any unreconciled differences.

Client Response:

This was an oversight from the previous fiscal officer. Since Aug. '07 we have reconciled every month.

Finding 2007-002

Material Weakness

The Village Clerk is the only required signature on checks written and issued many hand written checks during the audit period. The handwritten check dates and numbers were not always accurately posted to the accounting system. This resulted in cumbersome bank reconciliations. The lack of monitoring controls over the check-writing process could have led to other errors and/or irregularities going undetected for a period of time. The Village should establish monitoring controls over the disbursement process such as requiring a second signature on checks and review and approval of bank reconciliations. Furthermore, hand-written checks should be eliminated or only processed in emergency situations.

Client Response:

The hand written checks were because previous fiscal officer did not roll over UAN system. All written checks were entered into the UAN system by a visiting clerk. We do not manually write checks, with the exception of post office or office supplies. Council gets a report of every check number used for the previous month, whether it was voided, cashed or outstanding.

Finding 2007-003

Noncompliance Citation

Ohio Revised Code Section 5705.36 requires that on or about the first day of each fiscal year, the fiscal officer is to certify to the County Auditor 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. The Village did not certify to the County Auditor total sources available for 2007.

Client Response:

This was an oversight from the previous fiscal officer.

VILLAGE OF TARLTON
Pickaway County

Schedule of Findings and Responses (Continued)
For the Years Ended December 31, 2007 and 2006

Finding 2007-004

Noncompliance Citation

Ohio Revised Code Section 5705.28 requires that the Village adopt a tax budget on or about July 15th of each year for the succeeding year. The Village did not adopt the 2006 tax budget.

Client Response:

This was the previous fiscal officers responsibility. We passed a tax budget for 2008 fiscal year.

Finding 2007-005

Noncompliance Citation

Ohio Revised Code Section 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. The Village did not pass an appropriations resolution in 2007 until August.

Client Response:

The previous fiscal officer was responsible for those fiscal years.

Finding 2007-006

Noncompliance Citation

Ohio Revised Code Section 5705.39 states in part that total appropriations from each fund shall not exceed the total estimated resources. The Village's appropriations exceeded estimated resources in 2006 in the Street Construction Maintenance and Repair Fund. In 2007, the Village did not pass any estimated resources, therefore in August when appropriations were passed, all funds appropriations exceeded estimated resources.

Client Response:

This was the previous fiscal officers responsibility.

Finding 2007-007

Noncompliance Citation

Ohio Revised Code Section 5705.14, 5705.15 and 5705.16 state that a transfer from the general fund requires a resolution passed by a simple majority of board members and a transfer from any other fund can only be made by resolution of the taxing authority passed with the affirmative vote of two thirds of the member and is otherwise compliant. Although the transfers made by the Village in 2006 and 2007 were otherwise compliant with the Ohio Revised Code requirements, none were passed by resolution of the Village Council.

Client Response:

Previous fiscal officer's oversight.



Mary Taylor, CPA
Auditor of State

VILLAGE OF TARLTON

PICKAWAY 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 11, 2008**