



Dave Yost • Auditor of State

VILLAGE OF TARLTON
PICKAWAY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Tarlton
Pickaway County
P.O. Box 155
Tarlton, Ohio 43156

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Tarlton, Pickaway County, Ohio, (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 opinion.

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 these 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.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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 Tarlton, Pickaway County, Ohio, 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 April 8, 2015, 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.



Dave Yost
Auditor of State
Columbus, Ohio

April 8, 2015

**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, 2013**

| | Governmental Fund Types | | | | Totals |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | (Memorandum Only) |
| Cash Receipts: | | | | | |
| Property and Other Local Taxes | \$ 10,501 | \$ 799 | \$ - | \$ - | \$ 11,300 |
| Intergovernmental | 13,972 | 17,255 | - | 93,699 | 124,926 |
| Charges for Services | 1,750 | - | - | - | 1,750 |
| Fines, Licenses and Permits | 2,762 | - | - | - | 2,762 |
| Earnings on Investments | 36 | 74 | - | - | 110 |
| Miscellaneous | 60 | - | - | - | 60 |
| Total Cash Receipts | 29,081 | 18,128 | - | 93,699 | 140,908 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 1,595 | 90 | - | - | 1,685 |
| Leisure Time Activities | 540 | - | - | - | 540 |
| Transportation | 448 | 24,754 | - | - | 25,202 |
| General Government | 26,254 | - | - | - | 26,254 |
| Capital Outlay | - | - | - | 93,699 | 93,699 |
| Debt Service: | | | | | |
| Principal Retirement | 1,229 | 3,850 | 4,452 | - | 9,531 |
| Interest and Fiscal Charges | 112 | 570 | 440 | - | 1,122 |
| Total Cash Disbursements | 30,178 | 29,264 | 4,892 | 93,699 | 158,033 |
| Total Receipts Over/(Under) Disbursements | (1,097) | (11,136) | (4,892) | - | (17,125) |
| Other Financing Receipts/(Disbursements): | | | | | |
| Transfers In | - | - | 4,892 | - | 4,892 |
| Transfers Out | (4,892) | - | - | - | (4,892) |
| Other Financing Uses | (200) | - | - | - | (200) |
| Total Other Financing Receipts/(Disbursements) | (5,092) | - | 4,892 | - | (200) |
| Net Change in Fund Cash Balances | (6,189) | (11,136) | - | - | (17,325) |
| Fund Cash Balance, January 1 | 9,659 | 35,261 | - | - | 44,920 |
| Fund Cash Balance, December 31 | | | | | |
| Restricted | - | 24,125 | - | - | 24,125 |
| Assigned | 951 | - | - | - | 951 |
| Unassigned (Deficit) | 2,519 | - | - | - | 2,519 |
| Fund Cash Balance, December 31 | \$ 3,470 | \$ 24,125 | \$ - | \$ - | \$ 27,595 |

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, 2012**

| | <u>Governmental Fund Types</u> | | | <u>Totals</u> |
|--|--------------------------------|----------------------------|-------------------------|------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>(Memorandum Only)</u> |
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$ 3,854 | \$ 780 | \$ - | \$ 4,634 |
| Intergovernmental | 17,429 | 12,478 | - | 29,907 |
| Charges for Services | 2,540 | - | - | 2,540 |
| Fines, Licenses and Permits | 2,651 | - | - | 2,651 |
| Earnings on Investments | 62 | 127 | - | 189 |
| Miscellaneous | 939 | - | - | 939 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 27,475 | 13,385 | - | 40,860 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 1,592 | 165 | - | 1,757 |
| Leisure Time Activities | 390 | - | - | 390 |
| Transportation | 506 | 12,854 | - | 13,360 |
| General Government | 30,654 | - | - | 30,654 |
| Debt Service: | | | | |
| Principal Retirement | - | 3,697 | 5,416 | 9,113 |
| Interest and Fiscal Charges | - | 723 | 817 | 1,540 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 33,142 | 17,439 | 6,233 | 56,814 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Receipts Over/(Under) Disbursements | (5,667) | (4,054) | (6,233) | (15,954) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Other Financing Receipts/(Disbursements): | | | | |
| Transfers In | - | 20,000 | 6,233 | 26,233 |
| Transfers Out | (26,233) | - | - | (26,233) |
| Other Financing Uses | (225) | - | - | (225) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Other Financing Receipts/(Disbursements) | (26,458) | 20,000 | 6,233 | (225) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net Change in Fund Cash Balances | (32,125) | 15,946 | - | (16,179) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund Cash Balance, January 1 | 41,784 | 19,315 | - | 61,099 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund Cash Balance, December 31 | | | | |
| Restricted | - | 35,261 | - | 35,261 |
| Assigned | 5,437 | - | - | 5,437 |
| Unassigned (Deficit) | 4,222 | - | - | 4,222 |
| <i>Fund Cash Balance, December 31</i> | <u>\$ 9,659</u> | <u>\$ 35,261</u> | <u>\$ -</u> | <u>\$ 44,920</u> |

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

**VILLAGE OF TARLTON
PICKAWAY 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 Tarlton, Pickaway County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services and road and bridge maintenance. The Village receives its fire protection services from the Saltcreek-Tarlton Volunteer fire department. The Village receives police protection from the Village of Laurelville police department.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. 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.

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.

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.

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

Debt Service Fund – This fund accounts for the repayment of the Village’s bank loans, acquired for the purposes of acquiring land for the use as a park and another loan for street construction and maintenance. This fund receives transfers from the general fund to make principal and interest payments.

4. Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Street Paving Fund – This fund receives intergovernmental grants to cover the costs of a street project.

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 Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

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

VILLAGE OF TARLTON
PICKAWAY COUNTY

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

1. Summary of Significant Accounting Policies (Continued)

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). The Village must adhere to these commitments unless the Council amends the resolution. 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.

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.

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

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

2. Equity in Pooled Deposits

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

| | 2013 | 2012 |
|------------------------|----------|----------|
| Demand deposits | \$16,465 | \$33,861 |
| Certificate of deposit | 11,130 | 11,059 |
| Total deposits | \$27,595 | \$44,920 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

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 | \$33,696 | \$29,081 | (\$4,615) |
| Special Revenue | 12,934 | 18,128 | 5,194 |
| Debt Service | 6,365 | 4,892 | (1,473) |
| Capital Projects | 93,699 | 93,699 | 0 |
| Total | \$146,694 | \$145,800 | (\$894) |

2013 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|----------|
| General | \$39,133 | \$35,270 | \$3,863 |
| Special Revenue | 29,971 | 29,264 | 707 |
| Debt Service | 6,233 | 4,892 | 1,341 |
| Capital Projects | 93,699 | 93,699 | 0 |
| Total | \$169,036 | \$163,125 | \$5,911 |

2012 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|-----------|
| General | \$35,292 | \$27,475 | (\$7,817) |
| Special Revenue | 32,934 | 33,385 | 451 |
| Debt Service | 6,365 | 6,233 | (132) |
| Total | \$74,591 | \$67,093 | (\$7,498) |

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

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

3. Budgetary Activity (Continued)

| 2012 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$69,905 | \$59,600 | \$10,305 |
| Special Revenue | 17,542 | 17,439 | 103 |
| Debt Service | 6,233 | 6,233 | 0 |
| Total | \$93,680 | \$83,272 | \$10,408 |

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. Debt

Debt outstanding at December 31, 2013 was as follows:

| | Principal | Interest Rate |
|---|-----------|---------------|
| 2010 Note from The Savings Bank For the purchase of property, due in monthly installments of \$519 through 2015. | \$8,523 | 4.8% |
| 2011 Note from the Savings Bank For street repair, due in monthly installments of \$368 through 2016. | \$12,149 | 4% |
| Total | \$20,672 | |

The Village had two loans outstanding at December 31, 2013. The first loan was made up of two components. It consisted of the balance of the 2009 note of \$15,200 plus an additional loan for \$10,000 for a total original loan amount of \$25,200, with an interest rate of 4.75%. The loan was used to purchase property within the Village. The second loan was for \$20,000 originally with an interest rate of 4% and was used for street repairs.

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

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

5. Debt (Continued)

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

| Year ending December 31: | 2010 Savings Bank Note | 2011 Savings Bank Note |
|--------------------------|---------------------------|---------------------------|
| 2014 | 6,233 | 4,420 |
| 2015 | 2,597 | 4,420 |
| 2016 | 0 | 4,052 |
| Total | <u>\$8,830</u> | <u>\$12,892</u> |

6. Retirement Systems

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed \$3,231 and 10%, respectively, of their gross salaries and the Village contributed an amount equaling \$4,523 and 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

7. Risk Management

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

The Village insures against injuries to 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013.

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

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

7. Risk Management (Continued)

| | <u>2012</u> | <u>2013</u> |
|--------------|---------------------|---------------------|
| Assets | \$34,389,569 | \$34,411,883 |
| Liabilities | (14,208,353) | (12,760,194) |
| Net Position | <u>\$20,181,216</u> | <u>\$21,651,689</u> |

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village's share of these unpaid claims collectible in future years is approximately \$4,853.

Based on discussions 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.

| <u>Contributions to PEP</u> | |
|-----------------------------|-------------|
| <u>2012</u> | <u>2013</u> |
| 5,893 | 6,933 |

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. 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.

8. Contingent Liabilities

The Village is not involved in any lawsuits.

9. Related Party Transactions

The Village has not made any type of related party transactions.

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Dave Yost • Auditor of State

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

Village of Tarlton
Pickaway County
P.O. Box 155
Tarlton, Ohio 43156

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 Tarlton, Pickaway County, Ohio, (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 April 8, 2015 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 opinion 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 findings 2012-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion.

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www.ohioauditor.gov

The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2013-001.

Entity's Response 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

April 8, 2015.

VILLAGE OF TARLTON
PICKAWAY 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 2013-001

Material Non-compliance

Restricted Funds

Ohio Revised Code section 5705.10 (I) requires that money paid into any fund shall be used only for the purposes for which such fund is established.

In fiscal year 2013, loan payments for the Loan originally used to purchase property described in Note 5 was paid by the State Highway Fund (\$260) and the Street Fund (\$998) on behalf of the General Fund (\$1,041) and the Debt Service Fund (\$217). Subsequently, the Debt Service fund balance of \$217 was moved back to the General Fund in January 2015. There was no evidence of approval for any of these transactions.

These monies were returned to the State Highway and Street Funds on April 8, 2015. The financial statements and accounting records were updated to reflect this change as indicated in Finding 2013-002.

We recommend that the Fiscal officer follow the requirements of the Ohio Revised Code.

Officials' response: The fiscal officer will review the Ohio Village Officers Handbook and take extra steps in the future to ensure the accuracy of posted payments.

FINDING NUMBER 2013-002

Material Weakness

Sound financial reporting is the responsibility of the Village Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of the financial data throughout the year.

The following adjustments and reclassifications were made to the Village's financial statements, and where applicable, to the accounting records.

In 2013, there were six adjustments to the financial statements:

- Adjustments of \$2,051, \$951 and \$1,341 were made to the General Fund to reclassify/adjust property taxes, assigned fund balance and debt expenditures, respectively. It was noted as part of the debt expenditure adjustment that the Street and State Highway funds were making payments on behalf of the General and Debt Service Fund for the amount indicated. The adjustment of \$1,341 above included a cash adjustment of \$1,041 back to the Street and State Highway Funds and a \$300 reclassification from transportation expenditures. The cash adjustment was paid back to Street and State Highway Funds on April 8, 2015 as indicated in finding 2013-001.
- An adjustment in the amount of \$2,678 was made to the Special Revenue Fund to reclassify/adjust debt payments from transportation expenditure.

VILLAGE OF TARLTON
PICKAWAY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)

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

FINDING NUMBER 2013-002 (Continued)

Material Weakness (Continued)

- An adjustment in the amount of \$217 was made to the Debt Service Fund to adjust debt payments as part of the overall cash adjustment indicated for the Street and State Highway funds. The cash adjustment was paid back to Street and State Highway Funds on April 8, 2015 as indicated in finding 2013-001.
- An adjustment in the amount of \$93,699 was made to the Capital Projects Fund intergovernmental revenue and capital outlay to adjust for on behalf payments from the Ohio Public Works Commission. In 2012, there were five adjustments to the financial statements:
- Adjustments of \$996, \$20,000 and \$5,437 were made to the General Fund to reclassify property taxes, transfer out and assigned fund balance, respectively. It was noted that instead of transferring monies for \$20,000 from the General Fund to the Street Fund as approved on Ordinance 2012-9, September 5, 2012, the monies were adjusted to beginning fund balance for the applicable Funds.
- Adjustments of \$4,420 and \$20,000 were made to the Special Revenue Fund to reclassify debt payments and transfers in, respectively.

There was one General Fund unadjusted difference in fiscal year 2012 to increase assigned equity and budgetary expenditures by \$614. In addition, 27 changes were made to notes 2, 3, 5, and 7.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of the financial data throughout the year.

We recommend the Village develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Village and thereby increases the reliability of the financial data throughout the year. Such procedures may include review of the financial ledgers and financial statements by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors and omissions. In addition, the Village should follow the guidance for posting financial transactions in the Ohio Village Officer's Handbook available on the Auditor of State's website at <http://www.ohioauditor.gov/services/lgs/publications/LocalGovernmentManualsHandbooks/Village%20Officers%20Handbook%202013.pdf>.

Officials' response: The fiscal officer will take steps to ensure accuracy when there are questions about payments and receivables. The Ohio Village Officers Handbook will be reviewed for guidance in reference to posting financial transactions.

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---------------------|------------------|--|
| 2011-001 | Financial Reporting | No | 2013-002 |

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Dave Yost • 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
MAY 12, 2015