

**VILLAGE OF TARLTON
PICKAWAY COUNTY, OHIO**

Financial Statements
(Audited)

For The Years Ended
December 31, 2005 and 2004



**Auditor of State
Betty Montgomery**

Members of Council
Village of Tarlton
PO Box 155
Tarlton, Ohio 43156-0015

We have reviewed the *Independent Auditors' Report* of the Village of Tarlton, Pickaway County, prepared by Julian & Grube, Inc. for the audit period January 1, 2004 through December 31, 2005. 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's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the AOS 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 Auditors' Report* also includes an opinion on the financial statements using the regulatory format the AOS 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 black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 1, 2006

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**VILLAGE OF TARLTON
PICKAWAY COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the Village of Tarlton, Pickaway County, as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village of Tarlton's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Village of Tarlton 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.

Revisions to GAAP would require the Village of Tarlton to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village of Tarlton does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village of Tarlton has elected not to reformat its statements. Since the Village of Tarlton does not use GAAP to measure financial statement amounts, 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, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Tarlton as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Independent Accountant's Report
Village of Tarlton

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of the Village of Tarlton, Pickaway County, Ohio as of December 31, 2005 and 2004, and its combined cash receipts and disbursements and combined budgeted and actual receipts and budgeted and actual disbursements for the years then ended on the basis of accounting described in Note 2.

The aforementioned revision to generally accepted accounting principles also requires the Village of Tarlton to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village of Tarlton has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2006, on our consideration of the Village of Tarlton'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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
August 14, 2006

**VILLAGE OF TARLTON
PICKAWAY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2005 AND 2004

<u>Cash and Cash Equivalents</u>	<u>2005</u>	<u>2004</u>
Cash and Cash Equivalents	\$ 67,308	\$ 57,080
Total Cash and Cash Equivalents	<u>\$ 67,308</u>	<u>\$ 57,080</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General	\$ 10,833	\$ 7,156
Special Revenue	<u>56,475</u>	<u>49,924</u>
Total Governmental Fund Types	<u>67,308</u>	<u>57,080</u>
Total Fund Balances	<u>\$ 67,308</u>	<u>\$ 57,080</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF TARLTON
PICKAWAY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash receipts:				
Local taxes	\$ 6,413	\$ 882	\$ -	\$ 7,295
Intergovernmental	25,979	12,508	-	38,487
Charges for services	4,790	-	-	4,790
Fines, licenses, and permits	695	-	-	695
Interest	203	396	-	599
Total cash receipts	<u>38,080</u>	<u>13,786</u>	<u>-</u>	<u>51,866</u>
Cash disbursements:				
Current:				
Security of persons and property	3,178	328	-	3,506
Public health services	460	-	-	460
Leisure time activities	250	-	-	250
Transportation	-	6,733	-	6,733
General government	23,915	-	-	23,915
Capital outlay	-	174	-	174
Debt service:				
Principal retirement	332	-	3,530	3,862
Interest and fiscal charges	168	-	1,970	2,138
Total cash disbursements	<u>28,303</u>	<u>7,235</u>	<u>5,500</u>	<u>41,038</u>
Total cash receipts over/(under) cash disbursements	<u>9,777</u>	<u>6,551</u>	<u>(5,500)</u>	<u>10,828</u>
Other financing receipts/(disbursements):				
Operating transfers in	-	-	5,500	5,500
Operating transfers out	(5,500)	-	-	(5,500)
Other uses	(600)	-	-	(600)
Total other financing receipts/(disbursements)	<u>(6,100)</u>	<u>-</u>	<u>5,500</u>	<u>(600)</u>
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	3,677	6,551	-	10,228
Cash fund balances, January 1, 2005	<u>7,156</u>	<u>49,924</u>	<u>-</u>	<u>57,080</u>
Cash fund balances, December 31, 2005	<u>\$ 10,833</u>	<u>\$ 56,475</u>	<u>\$ -</u>	<u>\$ 67,308</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF TARLTON
PICKAWAY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2005 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2005 Appropriations	Total	Actual 2005 Disbursements	Encumbrances Outstanding at 12/31/05	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 11,472	\$ 36,083	\$ 47,555	\$ 38,080	\$ 1,997	\$ -	\$ 42,955	\$ 42,955	\$ 34,403	\$ -	\$ 34,403	\$ 8,552
Special Revenue	44,194	7,590	51,784	13,786	6,196	-	27,250	27,250	7,235	-	7,235	20,015
Debt Service	-	6,000	6,000	5,500	(500)	-	6,100	6,100	5,500	-	5,500	600
Total (Memorandum Only)	\$ 55,666	\$ 49,673	\$ 105,339	\$ 57,366	\$ 7,693	\$ -	\$ 76,305	\$ 76,305	\$ 47,138	\$ -	\$ 47,138	\$ 29,167

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF TARLTON
PICKAWAY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash receipts:				
Local taxes	\$ 6,074	\$ 934	\$ -	\$ 7,008
Intergovernmental	26,099	10,824	-	36,923
Charges for services	4,285	-	-	4,285
Fines, licenses, and permits	662	-	-	662
Interest	360	181	-	541
Total cash receipts	<u>37,480</u>	<u>11,939</u>	<u>-</u>	<u>49,419</u>
Cash disbursements:				
Current:				
Security of persons and property	3,193	-	-	3,193
Public health services	556	-	-	556
Leisure time activities	182	-	-	182
Transportation	30	6,209	-	6,239
General government	31,835	-	-	31,835
Debt service:				
Principal retirement	-	-	3,652	3,652
Interest and fiscal charges	-	-	2,348	2,348
Total cash disbursements	<u>35,796</u>	<u>6,209</u>	<u>6,000</u>	<u>48,005</u>
Total cash receipts over/(under) cash disbursements	<u>1,684</u>	<u>5,730</u>	<u>(6,000)</u>	<u>1,414</u>
Other financing receipts/(disbursements):				
Operating transfers in	-	-	6,000	6,000
Operating transfers out	(6,000)	-	-	(6,000)
Total other financing receipts/(disbursements)	<u>(6,000)</u>	<u>-</u>	<u>6,000</u>	<u>-</u>
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	(4,316)	5,730	-	1,414
Cash fund balances, January 1, 2004	<u>11,472</u>	<u>44,194</u>	<u>-</u>	<u>55,666</u>
Cash fund balances, December 31, 2004	<u>\$ 7,156</u>	<u>\$ 49,924</u>	<u>\$ -</u>	<u>\$ 57,080</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF TARLTON
PICKAWAY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2004 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 12/31/04	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 34,089	\$ 35,757	\$ 69,846	\$ 37,480	\$ 1,723	\$ -	\$ 69,296	\$ 69,296	\$ 41,796	\$ -	\$ 41,796	\$ 27,500
Special Revenue	21,577	7,640	29,217	11,939	4,299	-	29,217	29,217	6,209	-	6,209	23,008
Debt Service	-	6,000	6,000	6,000	-	-	6,000	6,000	6,000	-	6,000	-
Total (Memorandum Only)	<u>\$ 55,666</u>	<u>\$ 49,397</u>	<u>\$ 105,063</u>	<u>\$ 55,419</u>	<u>\$ 6,022</u>	<u>\$ -</u>	<u>\$ 104,513</u>	<u>\$ 104,513</u>	<u>\$ 54,005</u>	<u>\$ -</u>	<u>\$ 54,005</u>	<u>\$ 50,508</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF TARLTON
PICKAWAY COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING DECEMBER 31, 2005 AND 2004

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 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.

VILLAGE OF TARLTON
PICKAWAY COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING DECEMBER 31, 2005 AND 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Debt Service Fund

This fund accounts for resources to be used to meet the Village's debt requirements. The Village had the following debt service fund:

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.

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. 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.

VILLAGE OF TARLTON
PICKAWAY COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING DECEMBER 31, 2005 AND 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 projected 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 finds 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 2005 and 2004.

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 reappropriated. The Village had no outstanding encumbrances at December 31, 2005 and 2004.

VILLAGE OF TARLTON
PICKAWAY COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING DECEMBER 31, 2005 AND 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 \$599 and \$541 for the years ended December 31, 2005 and 2004, 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 ON 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
PICKAWAY COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING DECEMBER 31, 2005 AND 2004

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:

	2005	2004
Demand deposits	\$ 57,840	\$ 45,287
Investments in STAR Ohio	9,468	11,793
Total Deposits and Investments	\$ 67,308	\$ 57,080

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) 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 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the Village's operating transfers for 2005 and 2004:

2005	Transfers In	Transfers Out
GENERAL FUND	\$ -	\$ 5,500
<u>DEBT SERVICE FUND:</u>		
Debt Service	5,500	-
Totals	\$ 5,500	\$ 5,500

2004	Transfers In	Transfers Out
GENERAL FUND	\$ -	\$ 6,000
<u>DEBT SERVICE FUND:</u>		
Debt Service	6,000	-
Totals	\$ 6,000	\$ 6,000

These transfers were made for debt payments in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16 during the years ended December 31, 2005 and 2004.

VILLAGE OF TARLTON
PICKAWAY COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING DECEMBER 31, 2005 AND 2004

NOTE 5 - 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 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 6 - DEBT OBLIGATIONS

At December 31, 2005 and 2004, the Village debt obligation consisted of the following issuance:

<u>Description</u>	<u>Balance at</u> <u>12/31/05</u>	<u>Balance at</u> <u>12/31/2004</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%.	\$ 37,511	\$ 41,373

Transactions for the years ended December 31, 2005 and 2004 are summarized as follows:

<u>Description</u>	<u>Balance at</u> <u>December 31, 2004</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at</u> <u>December 31, 2005</u>
2005 Note - The State Savings Bank	\$ 41,373	\$ -	\$ (3,862)	\$ 37,511
2004 Note - The State Savings Bank	\$ 45,025	\$ -	\$ (3,652)	\$ 41,373

VILLAGE OF TARLTON
PICKAWAY COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING DECEMBER 31, 2005 AND 2004

NOTE 6 - DEBT OBLIGATIONS - (Continued)

The principal and interest requirements to retire the debt obligation outstanding at December 31, 2005, are as follows:

Year Ending December 31	Loan - State Savings Bank - 2002	
	Principal	Interest
2006	\$ 4,074	\$ 1,926
2007	4,300	1,700
2008	4,534	1,466
2009	4,789	1,211
2010	5,054	946
2011 - 2012	<u>14,760</u>	<u>890</u>
Total	<u>\$ 37,511</u>	<u>\$ 8,139</u>

NOTE 7 - RETIREMENT SYSTEM

During 2005 and 2004, all employees of the Village belonged to OPERS. OPERS is a cost-sharing, multiple-employer plans. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries, for the years ended December 31, 2005 and 2004. As of December 31, 2005, the Village's did not have an unpaid liability for 2005. All amounts for 2004 have been paid.

NOTE 8 - RISK MANAGEMENT

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.

**VILLAGE OF TARLTON
PICKAWAY COUNTY, OHIO**
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING DECEMBER 31, 2005 AND 2004

NOTE 8 - RISK MANAGEMENT - (Continued)

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retaining earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to per-claim limit of \$2,000,000.

Property Coverage

PEP retains 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 \$500,000,000 per occurrence. APEEP's Guarantee Fund pays loss adjustment expenses exceeding operating contributions.

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.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principals, and report the following assets, liabilities and retaining earnings at December 31, 2004 and 2003 (the latest information available):

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 30,547,049	\$ 25,288,098
Liabilities	<u>(16,989,918)</u>	<u>(12,872,985)</u>
Retained earnings	<u>\$ 13,557,131</u>	<u>\$ 12,415,113</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 3,652,970	\$ 3,158,813
Liabilities	<u>(544,771)</u>	<u>(792,061)</u>
Retained earnings	<u>\$ 3,108,199</u>	<u>\$ 2,366,752</u>

VILLAGE OF TARLTON
PICKAWAY COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING DECEMBER 31, 2005 AND 2004

NOTE 9 - CONTINGENT LIABILITY

LITIGATION

The Village is currently not involved in litigation.



Julian & Grube, Inc.
Serving Ohio Local Governments

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**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***

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

We have audited the financial statements of the Village of Tarlton (the "Village"), Pickaway County, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 14, 2006, wherein we noted the Village of Tarlton followed accounting practices the Auditor of State prescribes 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 standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Tarlton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial condition that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Village of Tarlton in a separate letter dated August 14, 2006.

Members of Council and Mayor
Village of Tarlton, Pickaway County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instance's of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to the management of the Village of Tarlton in a separate letter dated August 14, 2006.

This report is intended solely for the information of the Village of Tarlton's Council and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
August 14, 2006



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 14, 2006**