

VILLAGE OF TREMONT CITY

Clark County

Regular Audit

January 1, 2006 through December 31, 2007

Years Audited Under GAGAS: 2006 and 2007

CAUDILL & ASSOCIATES CPA's
725 5th Street
Portsmouth, OH 45662



Mary Taylor, CPA

Auditor of State

Village Council
Village of Tremont City
26 East Main Street
Tremont City, Ohio 45372

We have reviewed the *Independent Auditor's Report* of the Village of Tremont City, Clark County, prepared by Caudill & Associates, CPA's 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 permit

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 Tremont City 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

July 7, 2008

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VILLAGE OF TREMONT CITY
CLARK COUNTY

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Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

Members of Council
Village of Tremont City
26 East Main Street
Tremont City, Ohio 45372

We have audited the accompanying financial statements of the Village of Tremont City (The Village), Clark County, Ohio, 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 Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although 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 to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2007 and 2006. 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 new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village 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, 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 for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined funds cash balances of the Village, as of the December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village 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 April 30, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Caudill & Associates, CPAs

Caudill & Associates, CPAs

April 30, 2008

**Village of Tremont City
Clark County**

Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
For the Year Ended December 31, 2007

	Governmental Fund Types			Total
	General	Special Revenues	Capital Projects	(Memorandum Only)
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 29,077	\$ -	\$ -	\$ 29,077
Intergovernmental	7,543	12,384	-	19,927
Fines, Licenses and Permits	78,698	-	-	78,698
Interest	1,447	196	-	1,643
Miscellaneous	5,375	-	-	5,375
<i>Total Receipts</i>	<u>122,140</u>	<u>12,580</u>	<u>-</u>	<u>134,720</u>
<u>Disbursements:</u>				
Current:				
General Government	42,361	-	-	42,361
Security of Persons and Property	66,625	-	-	66,625
Transportation	11,986	17,782	-	29,768
Capital Outlay	27,876	-	-	27,876
<i>Total Disbursements</i>	<u>148,848</u>	<u>17,782</u>	<u>-</u>	<u>166,630</u>
Total Receipts over Disbursements	(26,708)	(5,202)	-	(31,910)
Fund Balances Beginning of Year	<u>123,863</u>	<u>31,945</u>	<u>17,857</u>	<u>173,665</u>
Fund Balances End of Year	<u>\$ 97,155</u>	<u>\$ 26,743</u>	<u>\$ 17,857</u>	<u>\$ 141,755</u>

See Accompanying Notes to the Basic Financial Statements

**Village of Tremont City
Clark County**

Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Cash Balance -Fiduciary Fund Type
For the Year Ended December 31, 2007

	Fiduciary Fund
	Agency
<u>Operating Cash Receipts</u>	\$ -
<u>Operating Cash Disbursements</u>	
Supplies, Material and Charges	933
<i>Operating Loss</i>	(933)
<u>Non Operating Cash Receipts</u>	
Court Fines and Fees	88,537
Interest Income	26
Total Operating Cash Receipts	88,563
<u>Non Operating Cash Disbursements</u>	
Payments to Village	78,203
Payments to State	14,520
Total Non Operating Cash Disbursements	92,723
Net Receipts over Disbursements	(5,093)
Fund Balance Beginning of Year	11,503
Fund Balance End of Year	\$ 6,410

See Accompanying Notes to the Basic Financial Statements

**Village of Tremont City
Clark County**

Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
For the Year Ended December 31, 2006

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenues	Capital Projects	
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 36,075	\$ -	\$ -	\$ 36,075
Intergovernmental	7,461	12,359	-	19,820
Fines, Licenses and Permits	51,561	-	-	51,561
Interest	1,351	-	-	1,351
Miscellaneous	5,517	-	-	5,517
<i>Total Receipts</i>	<u>101,965</u>	<u>12,359</u>	<u>-</u>	<u>114,324</u>
<u>Disbursements:</u>				
Current:				
General Government	22,093	-	-	22,093
Security of Persons and Property	42,472	-	-	42,472
Transportation	-	11,802	-	11,802
Capital Outlay	16,038	-	-	16,038
<i>Total Disbursements</i>	<u>80,603</u>	<u>11,802</u>	<u>-</u>	<u>92,405</u>
Total Receipts over Disbursements	21,362	557	-	21,919
Fund Balances Beginning of Year	<u>102,501</u>	<u>31,388</u>	<u>17,857</u>	<u>151,746</u>
Fund Balances End of Year	<u>\$ 123,863</u>	<u>\$ 31,945</u>	<u>\$ 17,857</u>	<u>\$ 173,665</u>

See Accompanying Notes to the Basic Financial Statements

**Village of Tremont City
Clark County**

Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Cash Balance -Fiduciary Fund Type
For the Year Ended December 31, 2006

	Fiduciary Fund
	Agency
<u>Operating Cash Receipts</u>	\$ -
<u>Operating Cash Disbursements</u>	
Supplies, Material and Charges	267
<i>Operating Loss</i>	(267)
<u>Non Operating Cash Receipts</u>	
Court Fines and Fees	64,565
Interest Income	29
Total Operating Cash Receipts	64,594
<u>Non Operating Cash Disbursements</u>	
Payments to Village	51,522
Payments to State	9,444
Total Non Operating Cash Disbursements	60,966
Net Receipts over Disbursements	3,361
Fund Balance Beginning of Year	8,142
Fund Balance End of Year	\$ 11,503

See Accompanying Notes to the Basic Financial Statements

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 Tremont City, Clark County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides police services and road maintenance. The Village contracts with German Township to provide fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Cash Equivalents

All village funds are held in interest bearing checking and savings accounts and in money market accounts.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than 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 TREMONT CITY
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant capital project fund:

Sewer Fund - This fund has a prior fund balance being held for the possible construction of a new sewer system.

4. Fiduciary Funds (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Magistrate Court Fund – This fund receives fines and forfeitures for the use in the general fund operations.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated in the subsequent year. The village did not have any outstanding encumbrances at year-end.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon retirement. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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:

	2007	2006
Demand deposits	\$148,165	\$185,168
Total deposits and investments	\$148,165	\$185,168

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village.

3. 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	\$216,589	\$122,140	(\$94,449)
Special Revenue	44,455	12,580	(31,875)
Capital Projects	0	0	0
Total	\$261,044	\$134,720	(\$126,324)

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$187,568	\$148,848	\$38,720
Special Revenue	42,853	17,782	25,071
Capital Projects	17,857	0	17,857
Total	\$248,278	\$166,630	\$81,648

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$75,526	\$101,965	\$26,439
Special Revenue	31,388	12,359	(19,029)
Capital Projects	0	0	0
Total	\$106,914	\$114,324	\$7,410

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$122,387	\$80,603	\$41,784
Special Revenue	37,094	11,802	25,292
Capital Projects	17,857	0	17,857
Total	\$177,338	\$92,405	\$84,933

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. EQUIPMENT LEASE

On January 2006, the Village entered into a lease agreement with Ford Motor Credit Company for a 2006 Ford Crown Victoria Police Sedan. At December 31, 2007, the total amount of lease outstanding, including interest was \$13,549.

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

Year Ending	<u>Total</u>
2008	\$6,775
2009	<u>6,774</u>
Total	<u>\$13,549</u>

6. RETIREMENT SYSTEMS

Ohio Public Employees Retirement System (OPERS)

Village officials and employees belong to OPERS of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement 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. OPERS members were required to contribute 9.0 and 9.5 percent of their gross salaries, and the Village was required to contribute an amount equal to 13.55 and 13.80 percent of participants' gross salaries in 2006 and 2007 respectively. The Village has paid all contributions required through December 31, 2007.

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 insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). The Village pays an annual contribution to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code.

The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

The Pool cedes certain premiums to re-insurers or excess re-insurers. The Pool is contingently liable should any re-insurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2006 and 2005:

	2006	2005
Assets	<u>\$2,331,284</u>	<u>\$2,241,661</u>
Liabilities	<u>(3,130,475)</u>	<u>(3,457,720)</u>
Total	<u><u>(\$799,191)</u></u>	<u><u>(\$1,216,059)</u></u>

8. COMPLIANCE

Contrary to the Ohio Revised Code Section 117.38, the Village did not file its annual report with the Auditor of State

Contrary to the Ohio Revised Code Section 5705.41(D), the Village did certify the availability of funds prior to expenditures

Contrary to the Ohio Administrative Code 117-2-02(C)(1), the Village did not integrate its budgetary information, at the legal level of control or lower, into its accounting system.

Contrary to the Ohio Revised Code Section 5705.13, the Village maintained an inactive capital project fund balance without transferring the monies from the fund from which they came.

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

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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
Village of Tremont City
26 East Main Street
Tremont City, Ohio 45372

We have audited the accompanying financial statements of the Village of Tremont City (the Village), Clark County, as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated April 30, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than generally accepted accounting principles. 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 for the purpose of expressing an opinion on the effectiveness on the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financing 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

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 Village'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 a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. The results of our tests disclosed five instances of control deficiencies that are required to be disclosed under *Governmental Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2007-002, 2007-003, 2007-004, 2007-005 and 2007-006.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Members of Council
Village of Tremont City

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*
Page 2

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this 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 considered to be material weaknesses. We consider the following deficiencies, described in the accompanying schedule of findings and responses as items 2007-002, 2007-003, 2007-004, 2007-005 and 2007-006, to be material weaknesses in internal controls over financial reporting.

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 four instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2007-001, 2007-002, 2007-003 and 2007-004.

We noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated April 30, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

Caudill & Associates, CPAs

Caudill & Associates, CPA's

April 30, 2008

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**SCHEDULE OF FINDINGS & RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Noncompliance Citation

The Ohio Revised Code Section 117.38 requires cash-basis governmental entities to file annual report with the Auditor of State within 60 days of the fiscal year end. Furthermore, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village did not file its annual report for 2006 or 2007, nor did it publish a notice in a local newspaper stating the financial report is available for public inspection at the office of the fiscal officer.

The Village should ensure that annual reports are timely filed with the Auditor of State each year and should also ensure the timely publication of a notice in a local newspaper for the availability of the annual report.

Village Response:

The Village's accounting system did not allow us to file the required reports on time. The Village is looking at going back to the UAN system, which will allow a quick financial close and to produce the required financial reports to file with the State.

FINDING NUMBER 2007-002

Noncompliance Citation – Material Weakness: Ohio Rev. Code Section 5705.41 (D)

Ohio Rev. Code Section 5705.41 (D) (1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D)

(1): Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

VILLAGE OF TREMONT CITY
CLARK COUNTY

SCHEDULE OF FINDINGS & RESPONSES
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-002 Continued

(2): Blanket certificate – Fiscal officer may prepare “blanket” certificates not exceeding \$44,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period not exceeding three month (three month limitation was eliminated effective September 26, 2003) or running beyond the current year. The blanket certificates may be outstanding at one particular time for any one particular line item appropriation.

(3): Super Blanket certification – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

Fifty Three Percent (53%) and Twelve (12%) of the expenditures tested were not properly certified in 2006 and 2007, respectively. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

We recommend the Village implement policies to improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations.

Village Response:

The Village had adopted and tried to integrate the purchase orders within Quickbooks. The Village is reversing to the UAN system, and as such the purchase orders system and certification will be enforced.

FINDING NUMBER 2007-003

Non-Compliance Citation / Material Internal Control Weakness: Failure to maintain adequate financial accounting system

The Ohio Administrative Code 117-2-02(C)(1) states, in part, all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

The Ohio Administrative Code Section 117-2-02(D) states all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following: Cash Journal, Receipts Ledger, Appropriations Ledger, Payroll Records, and Utility Billings Records.

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**SCHEDULE OF FINDINGS & RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-003 (Continued)

Non-Compliance Citation / Material Internal Control Weakness: Failure to maintain adequate financial accounting system (Continued)

The Village switched to a manual accounting system during February 2005, and the following issues were noted:

- The Village ledgers did not indicate the balances of estimated resources available or the balances of remaining appropriations.
- The Clerk failed to maintain a receipt ledger, appropriations ledger, or a record of leave usage and balances.
- The Village maintained two sets of financial records, one on a manual system and one using QuickBooks, which did not agree to each other.
- The Clerk has little understanding of the Quickbooks ledgers and therefore relies on third parties and relatives to enter the accounting information on Quickbooks.

The Clerk should maintain the required receipt ledger, appropriations ledger, and a record of leave usage and balances to provide complete and accurate financial data; and to provide for complete record keeping,

The Village should verify the data maintained on both systems are accurate and can be reconciled. Additionally, independent periodic reviews should be performed to verify the accuracy of the records.

The Village should ensure that the Clerk has sufficient working knowledge of the accounting system to be able to enter information directly in the system without the use of persons who are not authorized and bonded.

Village Response:

The Village is looking at going back to the UAN system since it has been improved over the last two years.

FINDING NUMBER 2007-004

Non-Compliance Citation / Material Internal Control Weakness: Inactive Capital Project Fund Balance:

Ohio Rev. Code Section 5705.13(C) provides that a taxing authority may create, by resolution, one or more capital projects funds to accumulate resources for the acquisition, construction, or improvement of fixed assets, including motor vehicles. Each fund must be created by ordinance or resolution. The resolution or ordinance must identify the asset(s) to be acquired, the amount needed to be accumulated, the period over which the amount will be accumulated (with a limit of ten years from the date of the resolution or ordinance), and the source of the resources. Despite ORC 5705.14 through ORC 5705.16, money may be transferred to the capital projects fund from any other fund that could acquire, construct or improve the fixed assets. If a contract for the fixed asset(s) has not been entered into before the ten-year period expires, the money is returned to the fund from which it was transferred or that was originally intended to receive it.

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**SCHEDULE OF FINDINGS & RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-004 (Continued)

Non-Compliance Citation / Material Internal Control Weakness: Inactive Capital Project Fund Balance (Continued):

The taxing authority may rescind a capital projects fund at any time with the accumulated resources being returned to the fund from which they came.

The Village established a capital projects fund during the 1970's for a potential sewer project. The project was never started; therefore the money was not spent and remained in the fund with a balance of \$17,857. The Village should determine the source of the money and return it to the appropriate fund.

Village Response:

The problem is being resolved by the Court system, so money can be put back in the General Fund. We are waiting for the Court's decision.

FINDING NUMBER 2007-005

Significant Internal Control Deficiency / Material Weakness: Mayor's Court Records

The total receipts recorded in the Mayor's Court Cashbook did not routinely equal the amounts remitted to the Village and State, and the Clerk did not provide adequate support to substantiate the difference. The moneys should be maintained as part of an "open items" list and be included as part of each monthly bank reconciliation. The lack of record of these moneys deposited did not provide for adequate support for the remaining balances or for which cases it belongs. Additionally, operating expenses (i.e. postage and bank charges) were deducted from the amount due to the Village. Payments to the Village should be complete and any expenses for the Court may then be paid by the Village.

Finally, a monthly reconciling amount of \$240 was added to the cashbook to agree to the bank balance. This should be reviewed to determine the cause of this difference, and if found necessary, be approved by Council as a one time adjustment to the books.

Procedures should be developed and implemented to require timely and accurate reconciliations of the Court records and bank account, including maintenance of an open items list as necessary.

Village Response:

The first Clerk of the Magistrate Court did not have a complete record; we have never been able to locate the \$240. The Village will adjust the \$240 as recommended by auditors.

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**SCHEDULE OF FINDINGS & RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-006

Significant Control Deficiency / Material Internal Control Weakness – Proper Classification of Revenues and Receipts

Intergovernmental and Fines revenues were not always recorded appropriately.

In Fiscal year 2006 and 2007, the Village recorded the BMV portion of fines revenues, already paid by the Magistrate Court Clerk, as revenues and expenditures. In 2006 and 2007, a total of \$2,436 and \$14,502 respectively, paid by the Magistrate Court Clerk to the BMV was recorded as Court Fines revenues, and expenditures in the General Fund. Reclassifications were made to eliminate the overstated revenues and expenditures.

In addition, Intergovernmental revenues were also misclassified as Property Taxes revenues. In 2006 and 2007, a total of \$1,866 and \$3,703 respectively were reclassified to Intergovernmental revenues from Property taxes revenues.

Failure to accurately present receipts will result in financial statements being misstated.

The Village should implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatement in the financial statements and footnotes.

Village Response:

The Village will correct the recording of the revenues in 2008.

Village of Tremont City
Clark County
Schedule of Prior Audit Findings
For the Fiscal Years Ended December 31, 2007 and 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	Non-Compliance with 5705.41(D)	No	Reissued as Finding # 2007-002
2005-002	Non-compliance with OAC 117-2-02 (C) (1) and OAC 117-2-02(D)	No	Reissued as Finding # 2007-003
2005-003	Non-Compliance with 5735.29	Yes	N/A
2005-004	Non-compliance with 5705.36(A)(3) and 5705.39	Yes	N/A
2005-005	Non-compliance with 5705.13 (C)	No	Reissued as Finding # 2007-004
2005-006	Mayor's Court Records and Reconciliation	No	Reissued as Finding # 2007-005
2005-007	Classification of Revenues / Disbursements	No	Reissued as Finding # 2007-006



Mary Taylor, CPA
Auditor of State

VILLAGE OF TREMONT CITY

CLARK 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
JULY 17, 2008**