

**Village of Tarlton
Pickaway County**

Regular Audit

For the Years Ended December 31, 2009



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Tarlton, Pickaway County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 13, 2010

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PICKAWAY COUNTY
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Village of Tarlton, Pickaway County, (the Village) as of and for the year ended December 31, 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 2, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

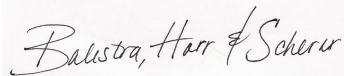
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Village Council
Village of Tarlton
Pickaway County
Independent Auditor's Report
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Tarlton, Pickaway County, as of December 31, 2009, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 2 describes.

The Village has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

April 9, 2010

**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, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Local Taxes	\$ 7,488	\$ 556	\$ -	\$ 8,044
Intergovernmental	22,477	13,729	-	36,206
Charges for Services	1,950	-	-	1,950
Earnings on Investments	298	317	-	615
Miscellaneous	1,591	-	-	1,591
	<u>33,804</u>	<u>14,602</u>	<u>-</u>	<u>48,406</u>
Total Cash Receipts				
	33,804	14,602	-	48,406
Cash Disbursements:				
Current:				
Security of Persons & Property	1,507	430	-	1,937
Public Health Service	157	-	-	157
Leisure Time Activities	2,428	-	-	2,428
Basic Utility Services	205	-	-	205
Transportation	-	14,118	-	14,118
General Government	27,417	-	-	27,417
Debt Service:				
Redemption of Principal	-	-	4,789	4,789
Interest and Fiscal Charges	-	-	1,211	1,211
	<u>31,714</u>	<u>14,548</u>	<u>6,000</u>	<u>52,262</u>
Total Cash Disbursements				
	31,714	14,548	6,000	52,262
Total Cash Receipts Over/(Under) Cash Disbursements	2,090	54	(6,000)	(3,856)
Other Financing Receipts and (Disbursements):				
Transfers-In	-	-	6,000	6,000
Transfers-Out	(6,000)	-	-	(6,000)
	<u>(6,000)</u>	<u>-</u>	<u>6,000</u>	<u>-</u>
Total Other Financing Receipts/(Disbursements)				
	(6,000)	-	6,000	-
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,910)	54	-	(3,856)
Fund Cash Balances, January 1	38,516	42,881	-	81,397
Fund Cash Balances, December 31	<u>\$ 34,606</u>	<u>\$ 42,935</u>	<u>\$ -</u>	<u>\$ 77,541</u>
Reserve for Encumbrances, December 31	<u>\$ 705</u>	<u>\$ 220</u>	<u>\$ -</u>	<u>\$ 925</u>

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

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Type
	Enterprise
Non-Operating Cash Receipts/(Disbursements):	
Intergovernmental	\$ 647,032
Proceeds from Sale of Assets	2,276,182
Capital Outlay	(701,548)
Principal	(2,276,182)
Total Non-Operating Cash Receipts	(54,516)
Net Cash Receipts Over Cash Disbursements	(54,516)
Fund Cash Balances, January 1	70,036
Fund Cash Balances, December 31	\$ 15,520

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

VILLAGE OF TARLTON
Notes to the Financial Statements
For the Years Ended December 31, 2009

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Tarlton (the "Village") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, road and bridge maintenance, and police services.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION – FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

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

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

Debt Service Fund

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

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

Enterprise Fund

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

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

VILLAGE OF TARLTON
Notes to the Financial Statements
For the Years Ended December 31, 2009

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

B. BASIS OF ACCOUNTING

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

C. BUDGETARY PROCESS

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

Tax Budget:

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

Estimated Resources:

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

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. The Village did not adopt supplemental appropriations during 2009.

VILLAGE OF TARLTON
Notes to the Financial Statements
For the Years Ended December 31, 2009

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

Encumbrances:

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

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

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 \$615 for the year ended December 31, 2009.

E. PROPERTY , PLANT AND EQUIPMENT

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

F. INTERGOVERNMENTAL REVENUES

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

G. INTERFUND TRANSACTIONS

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

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

H. TOTAL COLUMNS OF FUNANCIAL STATEMENTS

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

VILLAGE OF TARLTON
Notes to the Financial Statements
For the Years Ended December 31, 2009

NOTE 3 – CASH AND INVESTMENTS

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

	<u>2009</u>
Demand deposits	\$ 82,145
Investments in STAR Ohio	<u>10,916</u>
Total Deposits and Investment	<u>\$ 93,061</u>

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

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

NOTE 4 – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,813	\$33,804	(\$3,009)
Special Revenue	14,664	14,602	(62)
Debt Service	6,000	6,000	0
Enterprise	149,488	2,923,214	2,773,726
Total	<u>\$206,965</u>	<u>\$2,977,620</u>	<u>\$2,770,655</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 49,619	\$ 38,419	\$11,200
Special Revenue	20,177	14,768	5,409
Debt Service	6,000	6,000	0
Enterprise	3,015,254	2,977,730	37,524
Total	<u>\$3,091,050</u>	<u>\$3,036,917</u>	<u>\$54,133</u>

Contrary to Ohio law the Village did not properly encumber funds prior to them being expended.

Contrary to Ohio law the Village had appropriations in excess of estimated resources at fiscal year end.

Contrary to Ohio law the Village had appropriations in excess of actual resources at fiscal year end.

VILLAGE OF TARLTON
Notes to the Financial Statements
For the Years Ended December 31, 2009

NOTE 5 – INTERFUND TRANSACTIONS

The following is a summarized breakdown of the Village’s operating transfers for 2009:

2009	Transfers In	Transfers Out
General Fund	\$ -	\$ 6,000
Debt Service Fund	6,000	-
Total	\$ 6,000	\$ 6,000

The transfers from the General Fund were for debt payments in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16 during the years ended December 31, 2009.

NOTE 6 – PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Public utilities are also taxed on personal and real property located within the Village.

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

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

NOTE 7 – DEBT OBLIGATIONS

At December 31, 2009, the Village debt obligation consisted of the following issuance:

Description	Balance at 12/31/2009	Interest Rate
2002 Note with the Savings Bank For the Purchase of park land, due in Monthly installments of \$500 through 2012	\$ 19,820	5.40%
Total	\$ 19,820	

VILLAGE OF TARLTON
Notes to the Financial Statements
For the Years Ended December 31, 2009

NOTE 7 – DEBT OBLIGATIONS (Continued)

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

Year Ending December 31, 2009	Savings Bank Note
2010	\$ 6,000
2011	6,000
2012	9,655
Total	\$ 21,655

The Village had two OWDA loans for a new Waste Water Collection System. The first loan was for \$1,788,679 with an interest rate of 3.98%. The second loan was for \$487,503 with an interest rate of 1%. These loans were paid off or assumed by Earnhardt Hill Regional Water and Sewer District.

NOTE 8 – RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2009, OPERS members contributed 10 percent respectively of their gross salaries. The Village contributed an amount equal to 14 percent, respectively of participants’ gross salaries. The Village has paid all contributions required through December 31, 2009.

NOTE 9 – RISK MANAGEMENT

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APPEP). 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
Notes to the Financial Statements
For the Years Ended December 31, 2009

NOTE 9 – RISK MANAGEMENT (Continued)

Casualty Coverage

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

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

Property Coverage

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2008 was \$1,901,127.

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

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

Financial Position

PEP's financial statement (audited by other accountants) conform with generally accepted accounting principals, and report the following assets, liabilities and retaining earnings at December 31, 2008 (the latest information available):

	<u>2008</u>
Assets	\$ 40,737,740
Liabilities	<u>(12,981,818)</u>
Retained Earnings	<u>\$ 27,755,922</u>

At December 31, 2008, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$5,452.

VILLAGE OF TARLTON
Notes to the Financial Statements
For the Years Ended December 31, 2009

NOTE 9 – RISK MANAGEMENT (Continued)

This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

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

Contributions to PEP

2007	\$2,726
2008	\$2,356
2009	\$2,349

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

NOTE 10 – CONTINGENT LIABILITIES

LITIGATION

The Village is currently not involved in litigation.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by
*Government Auditing Standards***

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

We have audited the financial statements of the Village of Tarlton, Pickaway County, (the Village) as of and for the year ended December 31, 2009, and have issued our report thereon dated April 9, 2010 wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

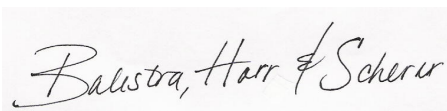
As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items No. 2009-001, 2009-003, and 2009-004

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Village of Tarlton
Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards*
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We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the management of the Village in a separate letter dated April 9, 2010.

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.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
April 9, 2010

VILLAGE OF TARLTON
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Finding Number 2009-001

Noncompliance Citation/Material Weakness

Ohio Revised Code section 5705.41(D) states in part that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer 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.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now certificate** – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but not necessarily, be limited to a specific vendor. Only one blanket certificate may be outstanding at a particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – 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 line item appropriations.

Several transactions tested during 2009 were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

The Village should certify purchases to which section 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

Client Response:

This was due in part to the unexpected expenditures related to the enterprise fund (sewer project)

VILLAGE OF TARLTON
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Finding Number 2009-002

Material Weakness

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification in the following areas:

Debt proceeds and expenditures,
Intergovernmental Revenues, and
Property and Other Taxes

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village's Fiscal Officer should review the Ohio Village Manual for guidance on the correct line item's to post various receipts and expenditures to the Village.

Client Response:

To begin utilizing the auditor's advice as noted on each Finding and recommendations form.

Finding Number 2009-003

Material Noncompliance

Ohio Revised Code section 5705.36(A)(2) allows all subdivision to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

The Village's appropriations exceeded actual resources in the Enterprise fund at year end.

The Village's Fiscal Officer should review budget to actual amounts during the year and request an amendments as needed.

Client Response:

The Client did not respond to the above finding.

VILLAGE OF TARLTON
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Finding Number 2009-004

Material Noncompliance

Ohio Revised Code section 5705.39 Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources. Also, no appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Village's appropriations exceeded estimated resources in the Enterprise fund in 2009.

The Village should request an amended certificate of estimated resources if it is determined that appropriations will exceed actual receipts plus the unencumbered beginning balance. Also, the Village should receive a "does not exceed" certificate from the County Auditor which state that the Village's appropriations do not exceed its estimated resources.

Client Response:

It was a onetime project (sewer project).

VILLAGE OF TARLTON
Schedule of Prior Audit Finding
For the Years Ended December 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	Material Weakness/Ohio Revised Code section 5705.41(D) – properly encumbering funds prior to them being expended.	No	Re-issued as 2009-001
2008-002	Material Weakness – Sound financial statement reporting	No	Re-issued as 2009-002
2008-003	Ohio Revised Code section 5705.36(A)(2) obtaining a reduced amended certificate	No	Re-issued as 2009-003
2008-004	Circular A-133 and title 31 of the United State code - Filing a single audit within 9 months of the fiscal yearend.	N/A	The Village was not required to have a single audit for fiscal yearend 2009.



Mary Taylor, CPA
Auditor of State

VILLAGE OF TARLTON

PICKAWAY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 23, 2010**