



Dave Yost • Auditor of State

VILLAGE OF TARLTON
PICKAWAY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Audit Findings	17
Schedule of Prior Audit Findings	18

This page intentionally left blank.



Dave Yost • Auditor of State

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

To the Village Council,

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 9, 2013

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Tarlton, Pickaway County, Ohio (the Village) as of and for the years ended December 31, 2011 and 2010. 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 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe 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.

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 GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 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, 2011 and December 31, 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Village of Tarlton, Pickaway County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1 and 11, during 2011 the Village of Tarlton adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013, 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.

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

Dave Yost
Auditor of State

September 9, 2013

**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, 2011**

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	(Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$ 7,652	\$ 679	\$ -	\$ 8,331
Intergovernmental	21,407	12,156	-	33,563
Charges for Services	1,550	-	-	1,550
Fines, Licenses and Permits	3,324	-	-	3,324
Earnings on Investments	75	110	-	185
Total Cash Receipts	34,008	12,945	-	46,953
Cash Disbursements:				
Current:				
Security of Persons and Property	134	502	-	636
Public Health Services	70	-	-	70
Leisure Time Activities	2,256	-	-	2,256
Basic Utility Services	108	-	-	108
Transportation	4,900	33,832	-	38,732
General Government	28,518	-	-	28,518
Debt Service:				
Principal Retirement	-	-	5,167	5,167
Interest and Fiscal Charges	-	-	1,066	1,066
Total Cash Disbursements	35,986	34,334	6,233	76,553
Total Receipts Over/(Under) Disbursements	(1,978)	(21,389)	(6,233)	(29,600)
Other Financing Receipts/(Disbursements):				
Other Debt Proceeds	20,000	-	-	20,000
Transfers In	-	-	6,233	6,233
Transfers Out	(6,233)	-	-	(6,233)
Other Financing Uses	(550)	-	-	(550)
Total Other Financing Receipts/(Disbursements)	13,217	-	6,233	19,450
Net Change in Fund Cash Balances	11,239	(21,389)	-	(10,150)
Fund Cash Balance, January 1	30,545	40,704	-	71,249
Fund Cash Balance, December 31				
Restricted	-	19,315	-	19,315
Unassigned (Deficit)	41,784	-	-	41,784
Fund Cash Balance, December 31	\$ 41,784	\$ 19,315	\$ -	\$ 61,099

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

VILLAGE OF TARLTON
PICKAWAY COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
Cash Receipts:					
Property and Local Taxes	\$ 8,006	\$ 685	\$ -	\$ -	\$ 8,691
Intergovernmental	21,674	13,342	-	152,453	187,469
Charges for Services	1,600	-	-	-	1,600
Fines, Licenses and Permits	849	-	-	-	849
Earnings on Investments	136	144	-	-	280
Total Cash Receipts	32,265	14,171	-	152,453	198,889
Cash Disbursements:					
Current:					
Security of Persons & Property	1,650	500	-	-	2,150
Public Health Services	73	-	-	-	73
Leisure Time Activities	540	-	-	-	540
Basic Utility Services	58	-	-	-	58
Transportation	6,864	15,902	-	-	22,766
General Government	30,769	-	-	-	30,769
Capital Outlay	-	-	-	167,973	167,973
Debt Service:					
Principal Payment	-	-	5,054	-	5,054
Interest and Fiscal Charges	-	-	946	-	946
Total Cash Disbursements	39,954	16,402	6,000	167,973	230,329
Total Receipts Over/(Under) Disbursements	(7,689)	(2,231)	(6,000)	(15,520)	(31,440)
Other Financing Receipts/(Disbursements):					
Sale of Notes	628	-	-	-	628
Other Debt Proceeds	10,000	-	-	-	10,000
Transfers-In	-	-	6,000	-	6,000
Transfers-Out	(6,000)	-	-	-	(6,000)
Other Financing Uses	(1,000)	-	-	-	(1,000)
Total Other Financing Receipts/(Disbursements)	3,628	-	6,000	-	9,628
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(4,061)	(2,231)	-	(15,520)	(21,812)
Fund Cash Balance, January 1	34,606	42,935	-	15,520	93,061
Fund Cash Balance, December 31	\$ 30,545	\$ 40,704	\$ -	\$ -	\$ 71,249
Reserve for Encumbrances, December 31	\$ 535	\$ 166	\$ -	\$ -	\$ 701

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

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Tarlton, Pickaway County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services and road and bridge maintenance. The Village receives its fire protection services from the Saltcreek-Tarlton Volunteer fire department. The Village receives police protection from the Village of Laurelville police department.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Cash Equivalents

For reporting purposes, the village considers "Cash and Cash Equivalents" to be cash on hand. Demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes.

The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

3. Debt Service Funds

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

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

4. Capital Projects Funds

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

Wastewater System Project Fund – This fund receives intergovernmental grants to cover the costs of a sewer project.

E. Budgetary Process

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

1. Appropriations

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

VILLAGE OF TARLTON
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. Equity in Pooled Deposits

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

	2011	2010
Demand deposits	\$50,133	\$71,249
Certificate of deposit	10,966	-
Total deposits	\$61,099	\$71,249

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,010	\$54,008	(\$9,002)
Special Revenue	54,949	12,945	(42,004)
Debt Service	6,235	6,233	(2)
Total	\$124,194	\$73,186	(\$51,008)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,955	\$43,305	\$9,650
Special Revenue	44,650	34,500	10,150
Debt Service	6,233	6,233	0
Total	\$103,838	\$84,038	\$19,800

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,567	\$42,893	(\$23,674)
Special Revenue	57,204	14,171	(43,033)
Debt Service	6,000	6,000	-
Capital Projects	185,520	152,453	(33,067)
Total	\$315,291	\$215,517	(\$99,774)

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$47,513	\$47,489	\$24
Special Revenue	20,100	16,568	3,532
Debt Service	6,000	6,000	-
Capital Projects	185,520	167,973	17,547
Total	\$259,133	\$238,030	\$21,103

4. Property Tax

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

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.

5. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
2010 Note from The Savings Bank For the purchase of property, due in monthly installments of \$495 through 2015.	\$19,639	4.8%
2011 Note from the Savings Bank For street repair, due in monthly installments of \$368 through 2016.	\$19,697	4%
Total	\$39,336	

The Village had two loans outstanding at December 31, 2011. The first loan was made up of two components. It consisted of the balance of the 2009 note of \$15,200 plus an additional loan for \$10,000 for a total original loan amount of \$25,200, with an interest rate of 4.75%. The loan was used to purchase property within the Village. The second loan was for \$20,000 with an interest rate of 4% and was used for street repairs.

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	2010 Savings Bank Note	2011 Savings Bank Note
2012	\$5,939	\$4,420
2013	5,939	4,420
2014	5,939	4,420
2015	3,959	4,420
2016	4,052	4,052
Total	<u>\$21,776</u>	<u>\$21,732</u>

6. Retirement Systems

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 2011 and 2010, OPERS members contributed \$3,368 and 10%, respectively, of their gross salaries and the Village contributed an amount equaling \$4,714 and 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

7. Risk Management

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

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Risk Management (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Government's share of these unpaid claims collectible in future years is approximately \$5,168.

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

<u>Contributions to PEP</u>	
<u>2011</u>	<u>2010</u>
\$5,618	\$5,684

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

8. Contingent Liabilities

Litigation

The Village is currently not involved in any litigation.

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. Related Party Transactions

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

10. Change in Accounting Principle and Restatement of Net Assets/Fund Equity

For fiscal year 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a governmental is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balance of the Villages funds.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited the financial statements of Village of Tarlton, Pickaway County, Ohio (the Village) as of and for the years ended December 31, 2011 and December 31, 2010, and have issued our report thereon dated September 9, 2013, wherein we noted the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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*.

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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 9, 2013.

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

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

Dave Yost
Auditor of State

September 9, 2013

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer of the Village and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following adjustments and reclassifications were made to the Village's financial statements. No adjustments were posted to the accounting system.

In 2010, there were three adjustments and one unadjusted difference noted. An adjustment in the amount of \$10,000 was made to the General Fund to reclassify the debt proceeds from the Sale of Notes line item to the Other Debt Proceeds. The other two adjustments were made to reclassify the entire Enterprise fund as a Capital Projects fund. The adjustment moved \$167,973 in Capital Outlay, \$152,453 in Intergovernmental Revenue, and \$15,520 in Beginning Fund balance to a Capital Projects fund to be consistent with the purpose of the revenue and expenditures in that fund. The unadjusted difference was in the amount of \$51 and was proposed to reclassify a permissive tax receipt from Intergovernmental Revenue to Tax Revenue in the Special Revenue fund.

In 2011, there were two adjustments noted. An adjustment in the amount of \$20,000 was made to the General Fund to reclassify the debt proceeds from Miscellaneous Revenue to Other Debt Proceeds. The other adjustment, in the amount of \$10,653, was made to the General Fund to reclassify the fund balance from Committed to Unassigned.

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

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

Officials' response: We did not receive a response from Officials to this finding.

**VILLAGE OF TARLTON
PICKAWAY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Prior Certification	Yes	N/A
2009-002	Financial Reporting	No	Finding 2011-01
2009-003	Appropriations exceeded actual resources	Yes	N/A
2009-004	Appropriations exceed estimated resources	Yes	N/A



Dave Yost • Auditor of State

VILLAGE OF TARLTON

PICKAWAY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 12, 2013**