



Dave Yost • Auditor of State

VILLAGE OF TREMONT CITY
CLARK COUNTY

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Dave Yost • Auditor of State

ACCOUNTANT'S REPORT

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

To the Village Council:

We have selectively tested certain accounts, financial records, files and reports of the Village of Tremont City, Clark County (the Village) as of and for the years ended December 31, 2013 and 2012 following Ohio Admin. Code §117-4-02.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

We intend this report solely for the information and use of the management, the Village Council, and other officials authorized to receive this report under Section 117.26, Ohio Rev. Code and it is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

Columbus, Ohio

January 29, 2015

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**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$8,150		\$8,150
Municipal Income Tax	49,079		49,079
Intergovernmental	10,332	\$14,429	24,761
Fines, Licenses and Permits	54,722		54,722
Earnings on Investments	3		3
Miscellaneous	5,468		5,468
Total Cash Receipts	<u>127,754</u>	<u>14,429</u>	<u>142,183</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	100,862		100,862
Leisure Time Activities	2,298		2,298
Transportation	121	8,410	8,531
General Government	32,399	158	32,557
Capital Outlay	59	910	969
Debt Service:			
Principal Retirement	9,427		9,427
Interest and Fiscal Charges	1,756		1,756
Total Cash Disbursements	<u>146,922</u>	<u>9,478</u>	<u>156,400</u>
Excess of Receipts Over (Under) Disbursements	<u>(19,168)</u>	<u>4,951</u>	<u>(14,217)</u>
Fund Cash Balances, January 1	<u>30,330</u>	<u>3,858</u>	<u>34,188</u>
Fund Cash Balances, December 31:			
Restricted		8,809	8,809
Assigned	11,162		11,162
Fund Cash Balances, December 31	<u>\$11,162</u>	<u>\$8,809</u>	<u>\$19,971</u>

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

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Fiduciary Fund Type
	Agency
Non-Operating Receipts (Disbursements):	
Court Fines and Fees	\$71,795
Total Non-Operating Cash Receipts	71,795
Non-Operating Disbursements:	
Payments to Village	54,722
Payments to State	13,842
Payments to Others	565
Total Non-Operating Cash Disbursements	69,129
Net Change in Fund Cash Balances	2,666
Fund Cash Balances, January 1	3,030
Fund Cash Balances, December 31	\$5,696

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

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$8,311		\$8,311
Municipal Income Tax	38,642		38,642
Intergovernmental	9,354	\$16,050	25,404
Fines, Licenses and Permits	78,507		78,507
Earnings on Investments	10		10
Miscellaneous	534		534
Total Cash Receipts	<u>135,358</u>	<u>16,050</u>	<u>151,408</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	86,367		86,367
Leisure Time Activities	1,112		1,112
Transportation	4,933	14,056	18,989
General Government	42,175	950	43,125
Debt Service:			
Principal Retirement	7,680		7,680
Interest and Fiscal Charges	1,926		1,926
Total Cash Disbursements	<u>144,193</u>	<u>15,006</u>	<u>159,199</u>
Excess of Receipts Over (Under) Disbursements	<u>(8,835)</u>	<u>1,044</u>	<u>(7,791)</u>
Fund Cash Balances, January 1 (Restated)	<u>39,165</u>	<u>2,814</u>	<u>41,979</u>
Fund Cash Balances, December 31:			
Restricted		3,858	3,858
Assigned	30,330		30,330
Fund Cash Balances, December 31	<u>\$30,330</u>	<u>\$3,858</u>	<u>\$34,188</u>

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

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Fiduciary Fund Type
	Agency
Non-Operating Receipts (Disbursements):	
Court Fines and Fees	\$94,013
Total Non-Operating Cash Receipts	94,013
Non-Operating Disbursements:	
Payments to Village	78,507
Payments to State	19,069
Payments to Others	3,305
Total Non-Operating Cash Disbursements	100,881
Net Change in Fund Cash Balances	(6,868)
Fund Cash Balances, January 1	9,898
Fund Cash Balances, December 31	\$3,030

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

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Tremont City, Clark County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides road maintenance and police services. The Village contracts with German Township to receive fire protection services.

The Village participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity (Public Entities Pool of Ohio (PEP)).

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

B. Accounting Basis

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

C. Deposits and Investments

The Village's funds are held in interest bearing checking and savings accounts. The Village has no investments.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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, 2013 AND 2012
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Magistrate Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Unencumbered appropriations lapse at year end. The Village's appropriations exceeded estimated resources in the General Fund in 2012 and 2013.

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 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 appropriated. The Village did not encumber all commitments required by Ohio law.

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

F. Fund Balance

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

1. Non-spendable

The Village classifies assets as *non-spendable* 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,

VILLAGE OF TREMONT CITY
CLARK COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

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

	<u>2013</u>	<u>2012</u>
Demand deposits	<u>\$25,667</u>	<u>\$37,218</u>

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

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$130,421	\$127,754	(\$2,667)
Special Revenue	10,500	14,429	3,929
Total	<u>\$140,921</u>	<u>\$142,183</u>	<u>\$1,262</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$207,911	\$161,616	\$46,295
Special Revenue	32,179	9,478	22,701
Total	<u>\$240,090</u>	<u>\$171,094</u>	<u>\$68,996</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$121,809	\$135,358	\$13,549
Special Revenue	12,719	16,050	3,331
Total	<u>\$134,528</u>	<u>\$151,408</u>	<u>\$16,880</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$180,229	\$146,427	\$33,802
Special Revenue	31,015	15,006	16,009
Total	<u>\$211,244</u>	<u>\$161,433</u>	<u>\$49,811</u>

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.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

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

6. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
General Obligation Contract - Radios	\$7,890	8.233%
Police Cruiser Lease	\$7,185	6.288%
Total	\$15,075	

In December 2010, the Village entered into a lease agreement for a 2010 Dodge Charger Police Cruiser at a total cost of \$25,553, paid in four years with annual payments of \$7,793, beginning in 2011, at the interest rate of 6.288%. At the completion of the lease, on December 30, 2014, the Village has the option to purchase the Dodge Charger at the price of \$1.

In September 2012, the Village entered into a Government Obligation Contract for installation of radios on the police cruisers. The contract had an initial cost of \$12,500, paid in quarterly payments of \$906, beginning November 2012 and ending July 2016, at an interest rate of 8.233%. The final cost of the radios was \$12,265 resulting in a \$235 reduced payment in April 2013.

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

Year ending December 31:	General Obligation Contract - Radios	Police Cruiser Lease
2014	\$3,625	\$7,793
2015	3,625	
2016	1,812	
Total	\$9,062	\$7,793

7. 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 healthcare and survivor and disability benefits.

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

8. 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.

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

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

8. RISK MANAGEMENT (Continued)

A. Casualty and Property Coverage

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

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

B. Financial Position

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

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

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village's share of these unpaid claims collectible in future years is approximately \$4,101.

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.

Contributions to PEP	
2012	2013
\$5,709	\$5,858

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.

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

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

9. PRIOR PERIOD RESTATEMENT

The Village restated fund balances at January 1, 2012, for the General and Capital Projects Funds. The Village's Capital Project reserve fund no longer existed and therefore reverted back to the General Fund. In addition, \$876 in reconciling items on the bank reconciliation were not supported and therefore were removed. The following table shows the change in fund balances.

	<u>General Fund</u>	<u>Capital Projects Fund</u>
December 31, 2011 Fund Balance	\$22,184	\$17,857
Prior Period Adjustment	17,857	(17,857)
Unsupported Reconciling Items	(876)	
Restated January 1, 2012 Fund Balance	<u>\$39,165</u>	<u>\$0</u>

10. Compliance

In addition to the non-compliance indicated in Note 1.E, the Village failed to comply with the following:

- Ohio Admin. Code §117-2-02(A), (C), and (D) – maintain adequate accounting records
- Ohio Rev. Code §733.28 – exhibit accurate statements of all moneys received and expended
- Ohio Rev. Code §117.38 – prepare required financial reports

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Dave Yost • Auditor of State

ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

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

To the Village Council:

We have selectively tested certain accounts, financial records, files and reports of the Village of Tremont City, Clark County (the Village) as of and for the years ended December 31, 2013 and 2012 following Ohio Admin. Code §117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting, we noted matters that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of a misstatement that is caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the Schedule of Findings as items 2013-001 and 2013-002.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements applicable to the Village. Non-compliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying Schedule of Findings as items 2013-001 through 2013-005.

Purpose of this Report

We intend this report solely for the information and use of the management, Village Council, other officials authorized to receive this report under Section 117.26, Ohio Rev. Code, 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".

Dave Yost
Auditor of State
Columbus, Ohio

January 29, 2015

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VILLAGE OF TREMONT CITY
CLARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2013-001

Ohio Admin. Code §117-2-02(A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Ohio Admin. Code §117-2-02(C) states the following systems and documents may be used to effectively maintain the accounting and budgetary records of the local public office:

1. All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system.
2. Purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required
3. Vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office.

Ohio Admin. Code §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:

1. Cash journal
2. Receipts ledger
3. Appropriation ledger
4. In addition, all local public offices should maintain or provide a report similar to the following accounting records:
 - a. Payroll records
 - b. Utilities billing records
 - c. Capital asset records

The Village utilized QuickBooks as well as manual financial records during 2012 and 2013. The Village followed the UAN manual for various revenue and expenditure account codes. The QuickBooks reports did not reflect actual fund balances for each Village fund. The manual fund balance report maintained by the Clerk and presented to Council did not properly reconcile fund balances or bank balances. Additionally, the QuickBooks system did not properly incorporate budgetary activity. Due to discrepancies and inaccurate information, the Auditor of State prepared the financial statements and reconciliations for 2012 and 2013 for the Village.

Furthermore, the Clerk did not understand how to use and update QuickBooks and authorized other individuals to operate the system. In addition, usernames and passwords were provided to individuals other than the Clerk. Lack of proper computer security can result in misappropriation of assets and unauthorized activity.

**FINDING NUMBER 2013-001
(Continued)**

The Village should implement procedures and policies to ensure proper training regarding financial accounting including proper safeguarding of assets. The Clerk should maintain an adequate financial accounting system (computerized or manual) which identifies revenues, expenditures, and fund balances of each fund maintained by the Village. Additionally, reconciliations between the records should be accurately performed and reviewed to ensure agreement. The Village should also increase computer security and implement rules to prevent unauthorized individuals from using the computerized systems. Accurate financial record-keeping and reporting allows for improved financial accountability over public funds and better decision-making.

Officials Response: New clerk was appointed 10-27-2014 and signed the village up for U.A.N., we are awaiting class and equipment. The village is now only using Quick Books as our accounting means. Authorized persons can have read only access using their individual username and password. the assistant clerk will have full access using same manner of entry.

FINDING NUMBER 2013-002

Ohio Rev. Code §733.28 states the village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived therefrom, and of all taxes and assessments.

The Village Clerk maintained two sets of accounting records for the Village (QuickBooks and manual); however neither set of books reflected all financial transactions of the Village for 2012 or 2013. The Clerk utilized QuickBooks for bank reconciliations; however, since the system did not include all transactions, the Village was not accurately reconciled. In addition, the Clerk's reconciliations did not agree to her manual fund balance report, which was provided to Council for decision-making at each meeting. The reconciliations and reports varied by approximately \$37,000.

The Village Clerk recreated the 2012 and 2013 financial ledgers using only written manual worksheets; however, those still were not accurate and did not summarize in total to the financial statements provided. After extensive investigation and summarization, the Auditor of State was able to properly reconcile the Village and recap transactions for 2012 and 2013.

The Village should develop and implement procedures to accurately maintain the Village's financial records. The bank account reconciliation is a basic control to provide accuracy and completeness of the Village's recording of current receipts and expenditures. Failure to maintain complete accountability of public monies could increase the possibility of funds being altered, impaired, lost or stolen. Additionally, independent detailed reviews should be performed of receipts, expenditures, and reconciliations as means of providing for their accuracy.

Officials Response: Clerk is asking council to inspect books on a quarterly or semi-annual basis. Bank reconciliations are being done monthly and reviewed by council and signed.

FINDING NUMBER 2013-003

Ohio Rev. Code §117.38 states each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year. At the time the report is filed with the auditor of state, the chief fiscal officer, except as otherwise provided in section 319.11 of the Revised Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

Any public office, other than a state agency, that does not file its financial report at the time required by this section shall pay to the auditor of state twenty-five dollars for each day the report remains unfiled after the filing date; provided, that the penalty payments shall not exceed the sum of seven hundred fifty dollars. The auditor of state may waive all or any part of the penalty assessed under this section upon the filing of the past due financial report.

The Village did not file the required annual reports with the Auditor of State for 2012 or 2013.

The Village should implement procedures to ensure the annual reports are timely filed with the Auditor of State each year. Failure to file the reports can result in penalties/fees as well as lack of accountability to the public.

Officials Response: The 2013 report has been filed and received by the Auditor of State, currently working on 2014 report.

FINDING NUMBER 2013-004

Ohio Rev. Code §5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. 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 that 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 encumbrance, 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 resolution. Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution 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 Village.

**FINDING NUMBER 2013-004
(Continued)**

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates not exceeding an amount established by resolution adopted by the legislative authority, against any specific line item account over a period not running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one 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 reasonably 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.

The Village did not properly encumber nine of twenty-nine (31%) of expenditures tested.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Village's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, “then and now” certification should be used. The Village should certify purchases to which section 5705.41(D) applies by approving purchase orders prior to the expenditure commitment and receipt of invoice when at all possible. Failure to do so could result in the Village spending more than it has appropriated for a particular line item.

Officials Response: Fiscal officer will let council know if funds are available, once approved P.O.'s will be generated.

FINDING NUMBER 2013-005

Ohio Rev. Code §5705.39 states the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established.

The Village had appropriations in excess of available resources for the General Fund by \$38,172 and \$10,992 in 2013 and 2012, respectively. In addition, the Village did not include appropriations or estimated resources for the FEMA fund in either year. Furthermore, the Village did not accurately report budgeted amounts in the accounting system for 2013 or 2012. (See finding 2013-001)

The Village should implement the appropriate budgetary monitoring controls including periodic comparisons of available resources to estimated resources and appropriations to help prevent excessive expenditures. In addition, the Fiscal Officer should ensure the accounting system and/or budgetary reports provided to Council accurately reflect the approved amounts for appropriations, estimated revenues, and actual transactions.

**FINDING NUMBER 2013-005
(Continued)**

Officials Response: Quarterly reviews by council will help ensure that expenditures do not exceed appropriations. Along with using the U.A.N. this situation should not happen.

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Noncompliance – Ohio Revised Code Section 5705.39 – Appropriations in excess of estimated resources	No	Reissued as Finding 2013-005
2011-002	Noncompliance – ORC 5705.41(B) – Expenditures in excess of Appropriations	Yes	
2011-003	Noncompliance – Ohio Revised Code Section 5705.36 – Appropriations in excess of available resources	Yes	
2011-004	Noncompliance – ORC 117.38 – Timely Filing of Financial Statements	No	Reissued as Finding 2013-003
2011-005	Noncompliance/Material Weakness – OAC 117-2-02(C)(1) and 117-2-02(D) – Failure to Maintain Adequate Financial Accounting System	No	Reissued as Finding 2013-001
2011-006	Noncompliance/Material Weakness – ORC 5705.13(C) – Inactive Capital Projects Fund	Yes	
2011-007	Material Weakness—Misclassification of Financial Statements	No	Reissued as Finding 2013-002



Dave Yost • 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
MARCH 3, 2015**