

Village of Tremont City

Clark County

January 1, 2010 through December 31, 2011

Years Audited Under GAGAS: 2010 and 2011



**Caudill & Associates, CPA**

725 5<sup>th</sup> Street Portsmouth, OH 45662

P: 740.353.5171 | F: 740.353.3749

[www.caudillcpa.com](http://www.caudillcpa.com)





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Tremont City, Clark County, prepared by Caudill & Associates, CPAs, for the audit period January 1, 2010 through December 31, 2011. 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 Tremont City is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

December 11, 2012

**This page intentionally left blank.**

**Village of Tremont City**  
**Clark County**  
*Table of Contents*  
*For the Years Ended December 31, 2011 and 2010*

---

<u>Title</u>	<u>Page</u>
Independent Auditor's Report .....	1 – 2
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Funds - For the Year Ended December 31, 2011.....	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Fiduciary Fund Type - For the Year Ended December 31, 2011 .....	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Funds - For the Year Ended December 31, 2010.....	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Fiduciary Fund Type - For the Year Ended December 31, 2010 .....	6
Notes to the Financial Statements .....	7 – 15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	16 – 17
Schedule of Findings and Responses .....	18 – 21
Schedule of Prior Audit Findings .....	22

**This page intentionally left blank.**



## Caudill & Associates, CPA

725 5<sup>th</sup> Street Portsmouth, OH 45662

P: 740.353.5171 | F: 740.353.3749

www.caudillcpa.com

---

Member American Institute of Certified Public Accountants

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

### Independent Auditor's Report

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

To the Village Council:

We have audited the accompanying financial statements of Village of Tremont City, Clark County, (the Village), 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. 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 Villages 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 2010, or its changes in financial position for the years then ended.

Village of Tremont City  
Clark County  
Independent Auditor's Report

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, of Village of Tremont City, Clark County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 9, during 2011, Village of Tremont City 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 October 26, 2012, 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.

*Caudill & Associates, CPA*

Caudill & Associates, CPA  
October 26, 2012



**Village of Tremont City**  
**Clark County**  
*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances*  
*All Governmental Funds*  
*For the Year Ended December 31, 2011*

	Governmental Funds Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b><u>Receipts</u></b>				
Property and Other Local Taxes	\$ 44,496	\$ -	\$ -	\$ 44,496
Intergovernmental	16,356	16,929	-	33,285
Fines, Licenses and Permits	71,992	-	-	71,992
Interest	35	75	-	110
Miscellaneous	2,904	8,665	-	11,569
<i>Total Receipts</i>	<u>135,783</u>	<u>25,669</u>	<u>-</u>	<u>161,452</u>
<b><u>Disbursements</u></b>				
Current:				
General Government	92,759	-	-	92,759
Security of Persons and Property	47,140	-	-	47,140
Transportation	15,133	40,532	-	55,665
Capital Outlay	3,214	7,793	-	11,007
Total Disbursements	<u>158,246</u>	<u>48,325</u>	<u>-</u>	<u>206,571</u>
Net Change in Fund Balances	(22,463)	(14,863)	-	(45,119)
Fund Balances Beginning of Year	<u>44,647</u>	<u>25,470</u>	<u>17,857</u>	<u>87,974</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	2,814	-	2,814
Committed	-	-	17,857	17,857
Unassigned (Deficit)	<u>22,184</u>	<u>-</u>	<u>-</u>	<u>22,184</u>
Fund Balances End of Year	<u>\$ 22,184</u>	<u>\$ 2,814</u>	<u>\$ 17,857</u>	<u>\$ 42,855</u>

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

**Village of Tremont City**  
**Clark County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances - Fiduciary Fund Type*  
*For the Year Ended December 31, 2011*

---

	Fiduciary Fund
	Agency
<b><u>Operating Cash Receipts</u></b>	\$ -
<b><u>Operating Cash Disbursements</u></b>	
Supplies, Material and Charges	650
<i>Operating Loss</i>	(650)
<b><u>Non-Operating Cash Receipts</u></b>	
Court Fines and Fees	93,032
Interest Income	75
Total Non-Operating Cash Receipts	93,107
<b><u>Non-Operating Cash Disbursements</u></b>	
Payments to Village	72,042
Payments to State	16,375
Total Non-Operating Cash Disbursements	88,417
Net Receipts Over Disbursements	4,040
Fund Balance Beginning of Year	5,858
Fund Balance End of Year	\$ 9,898

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

**Village of Tremont City**  
**Clark County**  
*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances*  
*All Governmental Funds*  
*For the Year Ended December 31, 2010*

	Governmental Funds Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b><u>Receipts</u></b>				
Property and Other Local Taxes	\$ 32,498	\$ -	\$ -	\$ 32,498
Intergovernmental	5,875	15,431	-	21,306
Fines, Licenses and Permits	89,339	-	-	89,339
Interest	73	-	-	73
Miscellaneous	22,228	-	-	22,228
<i>Total Receipts</i>	<u>150,013</u>	<u>15,431</u>	<u>-</u>	<u>165,444</u>
<b><u>Disbursements</u></b>				
Current:				
General Government	56,265	-	-	56,265
Security of Persons and Property	80,552	-	-	80,552
Transportation	8,500	25,680	-	34,180
Capital Outlay	297	-	-	297
<i>Total Disbursements</i>	<u>145,614</u>	<u>25,680</u>	<u>-</u>	<u>171,294</u>
Net Change in Fund Balances	<u>4,399</u>	<u>(10,249)</u>	<u>-</u>	<u>(5,850)</u>
Fund Balances Beginning of Year	<u>40,248</u>	<u>35,719</u>	<u>17,857</u>	<u>93,824</u>
Fund Balances End of Year	<u>\$ 44,647</u>	<u>\$ 25,470</u>	<u>\$ 17,857</u>	<u>\$ 87,974</u>

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

**Village of Tremont City**  
**Clark County**  
*Combined Statement of Cash Receipts, Cash Disbursements and*  
*Changes in Fund Cash Balances - Fiduciary Fund Type*  
*For the Year Ended December 31, 2010*

	Fiduciary Fund
	Agency
<b><u>Operating Cash Receipts</u></b>	\$ -
<b><u>Operating Cash Disbursements</u></b>	
Supplies, Material and Charges	402
<i>Operating Loss</i>	(402)
<b><u>Non-Operating Cash Receipts</u></b>	
Court Fines and Fees	110,536
Interest Income	20
Total Non-Operating Cash Receipts	110,556
<b><u>Non-Operating Cash Disbursements</u></b>	
Payments to Village	88,534
Payments to State	21,766
Total Non-Operating Cash Disbursements	110,300
Net Receipts Under Disbursements	(146)
Fund Balance Beginning of Year	6,004
Fund Balance End of Year	\$ 5,858

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, 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 Tremont City, Clark County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides police services and road maintenance. The Village contracts with the Any County Sheriff's department to provide security of persons and property. The Village contracts with German Village to receive fire protection services.

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**

The Village's funds are held in interest bearing checking and savings accounts and in money market accounts.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash 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:

**VILLAGE OF TREMONT CITY  
CLARK COUNTY**

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

**2. Special Revenue Funds (Continued)**

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

**3. Capital Project 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:

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

**4. Fiduciary Funds (Agency Funds)**

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

Magistrate Court Fund – This fund receives fines and forfeitures for the use of General Fund operations.

**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. 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.

VILLAGE OF TREMONT CITY  
CLARK COUNTY

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

**E. Budgetary Process (Continued)**

**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 reappropriated. The Village did not have any outstanding encumbrances at year-end.

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

**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.

**VILLAGE OF TREMONT CITY  
CLARK COUNTY**

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

**F. Fund Balance (Continued)**

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 and Investments**

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

	2011	2010
Demand deposits	\$52,753	\$93,832

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$139,750	\$135,783	(\$3,967)
Special Revenue	12,735	25,669	12,934
Total	\$152,485	\$161,452	\$8,967



**VILLAGE OF TREMONT CITY  
CLARK COUNTY**

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

**3. Budgetary Activity (Continued)**

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$192,986	\$158,246	\$34,740
Special Revenue	29,883	48,325	(18,442)
Total	\$222,869	\$206,571	\$16,298

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,159	\$150,013	\$65,854
Special Revenue	12,525	15,431	2,906
Total	\$96,684	\$165,444	\$68,760

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$156,258	\$145,614	\$10,644
Special Revenue	43,599	25,680	17,919
Total	\$199,857	\$171,294	\$28,563

**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.

**VILLAGE OF TREMONT CITY  
CLARK COUNTY**

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

**5. Local Income Tax**

Beginning in 2009, The Village began to a municipal income tax of one 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.

**6. Equipment Lease**

In December 2010, the Village entered into a lease agreement for a 2010 Dodge Charger Police Special at the total cost of \$25,553, paid in four years with annual payments of \$7,793 beginning in 2011 at the interest rate of 8.46%. At the completion of the lease, the Village has the option to purchase the Dodge Charger for \$1.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 2011:

Year ending December 31:	Dodge Charger
2012	<u>\$7,793</u>
2013	7,793
2014	<u>7,793</u>
Total Minimum Lease Payments	<u>\$23,379</u>
Less:	
Amount Representing Interest	<u>3,462</u>
Present Value of Minimum Lease Payments	<u><u>\$19,917</u></u>

Under the basis of accounting utilized by the Village, these capitalized assets are not reflected on the financial statements and payments are recorded in the Capital Outlay line item on the financial statements in the Street Fund.

**7. Retirement Systems**

Employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, 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, 2011.

**VILLAGE OF TREMONT CITY  
CLARK COUNTY**

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

**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.

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.

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, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Government's share of these unpaid claims collectible in future years is approximately \$6,000.

**VILLAGE OF TREMONT CITY  
CLARK COUNTY**

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

**8. Risk Management (Continued)**

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.

<b><u>Contributions to PEP</u></b>	
<b><u>2011</u></b>	<b><u>2010</u></b>
\$6,178	\$4,581

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.

**9. Change In Accounting Principles**

For 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 established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government 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 actual fund balances.

**10. Miscellaneous Revenue**

Miscellaneous revenues consist primarily of Village fundraisers and reimbursements, recorded in the General Fund in 2010, and General and Street Funds in 2011. Miscellaneous revenues for the years ended December 31, 2011 and 2010 were \$11,569 and \$22,228, respectively.

**VILLAGE OF TREMONT CITY  
CLARK COUNTY**

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

**11. Compliance**

- A. Contrary to Ohio Rev. Code Section 5705.39, the Village had appropriations in excess of estimated resources in the general fund in 2011 and 2010.
- B. Contrary to Ohio Rev. Code Section 5705.41(b), the Village has expenditures in excess of appropriations in the Street Fund in 2011.
- C. Contrary to Ohio Rev. Code Section 5705.36, the Village had appropriations in excess of estimated resources for 2011 and 2010 in the general fund.
- D. Contrary to Ohio Rev. Code Section 117.38, the Village did not file the annual financial report for 2011 and 2010, or publish a notice of availability.
- E. Contrary to Ohio Rev. Code Section 117-2-02, The Village did not maintain an adequate financial accounting system in 2011 and 2010.
- F. Contrary to Ohio Rev. Code Section 5705.13(C), the Village had an inactive capital projects fund.



## Caudill & Associates, CPA

725 5<sup>th</sup> Street Portsmouth, OH 45662

P: 740.353.5171 | F: 740.353.3749

www.caudillcpa.com

---

Member American Institute of Certified Public Accountants

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

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

To the Village Council:

We have audited the financial statements of the Village of Tremont City, Clark County, Ohio, (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated October 26, 2012, wherein we noted the Village adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54) in 2011. The Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 opinion 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 and responses we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

Village of Tremont City  
Clark County

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (Continued)**

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 2011-005 through 2011-007 described in the accompanying schedule of findings and responses 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 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2011-001 through 2011-006.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 26, 2012.

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

*Caudill & Associates, CPA*

Caudill & Associates, CPA

October 26, 2012

**Village of Tremont City**  
**Clark County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

---

**Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS**

**Finding Number 2011-001**

**Noncompliance – Appropriations in Excess of Estimated Resources**

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources. The Village had appropriations in excess of estimated resources in the General Fund in 2011 and 2010.

The Village was subject to the risk of unauthorized spending. We recommend the Village implement the appropriate budgetary monitoring controls, such as periodic comparisons of estimated resources to appropriations, to ensure compliance with the Ohio Revised Code.

**Client Response:**

The Village made no response.

**Finding Number 2011-002**

**Noncompliance Citation – Ohio Revised Code Section 5705.41(B)**

Ohio Revised Code section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 2011, the street fund had expenditures which exceeded appropriations at the legal level of control.

The Village Clerk should deny payment requests and not certify the availability of Funds exceeding appropriations and amending estimated resources, if necessary.

**Village Response:**

The Village chose not to respond.

**Finding Number 2011-003**

**Noncompliance – Appropriations in Excess of Available Resources**

Ohio Revised Code Section 5705.36 allows all subdivisions 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. Ohio Revised Code Section 5705.36 also requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

The Village had appropriations in excess of available resources in the General Fund in 2011. The Village was subject to the risk of unauthorized spending or overspending if available resources fall below appropriations and the Village spends up to authorized appropriation levels. We recommend the Village implement the appropriate budgetary monitoring controls, such as periodic comparisons of available resources to estimated resources and appropriations, to ensure compliance with the Ohio Revised Code.

**Client Response:**

The Village chose not to respond.



**Village of Tremont City**  
**Clark County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

---

**Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS**

**Finding Number 2011-004**

**Noncompliance – Filing of Annual Financial Reports**

Ohio Revised Code Section 117.38 requires cash basis governmental entities to file annual financial reports with the Auditor of State within 60 days of fiscal year end. Furthermore, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer. The Village did not file its annual financial report for 2011 or 2010, nor did it publish a notice in a local newspaper stating the financial report is available for public inspection at the office of the Fiscal Officer.

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

**Client Response:**

The Village made no response.

**Finding Number 2011-005**

**Noncompliance/Material Weakness – Failure to Maintain Adequate Financial Accounting System**

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

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

The Village utilizes QuickBooks and follows the UAN manual for implementing various revenue and expenditure account codes. However, QuickBooks is unable to provide required reports on a fund by fund basis. Therefore, it is not determinable from the accounting reports what fund balances are at any given time. The Village maintains a manual bank reconciliation outside of QuickBooks to track fund balances, but no additional subsidiary ledgers are maintained to identify how balances are arrived at. It was also noted that discrepancies existed between the QuickBooks reconciliations and the manual reconciliation.

In addition, budgetary information has not been properly incorporated into the accounting system. Therefore, budget to actual comparisons are unreliable for decision-making processes.

Lastly, the Village does not have a formal policy in place regarding computer security.

**Village of Tremont City**  
**Clark County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

---

**Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS**

**Finding Number 2011-005 (Continued)**

The Village has implemented an accounting system that is not adequately equipped to account for governmental activities. Furthermore, it appears that the Fiscal Officer had not obtained a sufficient understanding of the accounting system and therefore relies on third parties and relatives to enter transactions into the accounting system and to generate desired output. The Village is subject to risk of producing inaccurate or incomplete financial information and statements, relying on inaccurate budgetary information when making decisions regarding spending or investing, and being noncompliant with various laws and regulations, including Ohio budgetary laws. The Village is also at risk for computer security breaches without a formal policy in place to ensure employees and officials are aware of and able to implement the proper security controls over the Village's computer environment. The Village should generate and maintain the appropriate required financial reports in order to provide a complete and accurate set of financial data and to provide for a complete record-keeping. The Village should also implement processing and monitoring procedures to ensure that budgetary information is properly incorporated within the accounting system and updated as necessary. Reviews of such budgetary information, in addition to general accounting information and bank reconciliations, should also be performed by Council and other members of management. In addition, the Village should ensure that the Fiscal Officer has sufficient working knowledge of the accounting system to be able to enter information directly into the system and generate desired output without the use of persons who are not authorized and bonded. Lastly, the Village should adopt a formal computer security policy to document what controls should be in place and how such controls should be implemented to ensure that computer security risk is minimized.

**Village Response:**

The Village chose not to respond.

**Finding Number 2011-006**

**Noncompliance/Material Weakness – Inactive Capital Projects Fund**

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

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

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

**Client Response:**

The Village made no response.

**Village of Tremont City**  
**Clark County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

---

<b>Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS</b>
--

**Finding Number 2011-007**

**Material Weakness – Misclassifications in the Financial Statements**

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112, as amended by SAS 115, establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client’s internal control over financial reporting. This standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

The Village erroneously posted several receipts to incorrect line items. There were also erroneous postings of Mayor’s Court receipts and disbursements to the Village’s accounting system. These issues required reclassifications and adjustments to properly present the activity of the Village in both years.

The Village was subject to the risk of misstatements in the financial statements and accounting records. The Village should implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

**Client Response:**

The Village made no response.

**Village of Tremont City**  
**Clark County**  
*Schedule of Prior Audit Findings*  
*For the Years Ended 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; Explain
2009-001	Noncompliance – ORC 5705.41(D) – Proper Encumbrance of Funds	Yes	Finding no longer Valid
2009-002	Noncompliance – Ohio Revised Code Section 5705.36 – Appropriations in excess of available resources	No	Reissued as Finding 2011-003
2009-003	Noncompliance – Ohio Revised Code Section 5705.39 – Appropriations in excess of estimated resources	No	Reissued as Finding 2011-001
2009-004	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 2011-005
2009-005	Noncompliance/Material Weakness – ORC 5705.13(C) – Inactive Capital Projects Fund	No	Reissued as Finding 2011-006
2009-006	Material Weakness – Misclassifications in the Financial Statements	No	Reissued as Finding 2011-007
2009-007	Noncompliance – ORC 117.38 – Timely Filing of Financial Statements	No	Reissued as Finding 2011-004



# 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  
DECEMBER 20, 2012