



**Auditor of State
Betty Montgomery**

VILLAGE OF TREMONT CITY
CLARK COUNTY

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**Auditor of State
Betty Montgomery**

Village of Tremont City
Clark County
26 East Main Street
P.O. Box 93
Tremont City, Ohio 45372

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 a February 2, 2005 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 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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 13, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Tremont City
Clark County
26 East Main Street
P.O. Box 93
Tremont City, Ohio 45372

To the Village Council:

We have audited the accompanying financial statements of the Village of Tremont City, Clark County, (the Village), as of and for the years ended December 31, 2005 and 2004. 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 processed its 2004 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(B) and 115.56 mandate 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004 the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 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, 2005 and 2004 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2006, 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.



Betty Montgomery
Auditor of State

November 13, 2006

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$30,481	\$3,581		\$34,062
Intergovernmental Receipts	7,940	28,167	111,985	148,092
Fines, Licenses, and Permits	67,001			67,001
Earnings on Investments	661	35	241	937
Miscellaneous	1,059	1,108		2,167
Total Cash Receipts	<u>107,142</u>	<u>32,891</u>	<u>112,226</u>	<u>252,259</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	32,802	330		33,132
Public Health Services		3,519		3,519
Transportation		23,201	111,985	135,186
General Government	25,280	62		25,342
Total Cash Disbursements	<u>58,082</u>	<u>27,112</u>	<u>111,985</u>	<u>197,179</u>
Total Receipts Over Disbursements	<u>49,060</u>	<u>5,779</u>	<u>241</u>	<u>55,080</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	276			276
Transfers-Out		(276)		(276)
Total Other Financing Receipts/(Disbursements)	<u>276</u>	<u>(276)</u>		
Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	49,336	5,503	241	55,080
Fund Cash Balances, January 1	<u>53,165</u>	<u>25,885</u>	<u>17,616</u>	<u>96,666</u>
Fund Cash Balances, December 31	<u><u>\$102,501</u></u>	<u><u>\$31,388</u></u>	<u><u>\$17,857</u></u>	<u><u>\$151,746</u></u>
Reserves for Encumbrances, December 31	<u><u>\$26,975</u></u>			<u><u>\$26,975</u></u>

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

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Fiduciary Fund
	Agency
Operating Cash Receipts:	\$0
Operating Cash Disbursements:	
Supplies, Materials and Charges	367
Operating (Loss)	(367)
Non-Operating Cash Receipts:	
Court Fines and Fees	82,287
Interest Income	30
Total Non-Operating Cash Receipts	82,317
Non-Operating Cash Disbursements:	
Payments to Village	66,568
Payments to State	12,252
Total Non-Operating Cash Disbursements	78,820
Net Receipts Over Disbursements	3,130
Fund Cash Balance, January 1	5,012
Fund Cash Balance, December 31	\$8,142

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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$35,187	\$3,500		\$38,687
Intergovernmental Receipts	8,691	13,938		22,629
Fines, Licenses, and Permits	29,026			29,026
Earnings on Investments	470			470
Miscellaneous	1,263			1,263
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	<u>74,637</u>	<u>17,438</u>		<u>92,075</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	36,137	2,384		38,521
Public Health Services		3,500		3,500
Transportation		8,964		8,964
General Government	29,588			29,588
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	<u>65,725</u>	<u>14,848</u>		<u>80,573</u>
Total Receipts Over Disbursements	8,912	2,590		11,502
Fund Cash Balances, January 1	<u>44,253</u>	<u>23,295</u>	<u>17,616</u>	<u>85,164</u>
Fund Cash Balances, December 31	<u><u>\$53,165</u></u>	<u><u>\$25,885</u></u>	<u><u>\$17,616</u></u>	<u><u>\$96,666</u></u>

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

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Fiduciary Fund
	Agency
Operating Cash Receipts:	\$0
Operating Cash Disbursements:	
Supplies, Materials and Charges	397
Operating (Loss)	(397)
Non-Operating Cash Receipts:	
Court Fines and Fees	38,180
Interest Income	11
Total Non-Operating Cash Receipts	38,191
Non-Operating Cash Disbursements:	
Payments to Village	28,811
Payments to State	6,378
Total Non-Operating Cash Disbursements	35,189
Net Receipts Over Disbursements	2,605
Fund Cash Balance, January 1	2,407
Fund Cash Balance, December 31	\$5,012

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, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash

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

D. Fund Accounting

The Village uses fund accounting to segregate cash 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 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.

Federal COPS Grant Fund -This fund receives federal monies for police operations.

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 fund:

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Community Development Block Grant Fund – This fund received a CDBG grant for a Storm Drainage Project.

4. Fiduciary Funds (Agency Fund)

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (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. 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.

E. Budgetary Process

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. 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 TREMONT CITY
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH

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

	2005	2004
Demand deposits	\$159,888	\$101,678

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 21, 2005 and 2004 are as follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,993	\$107,418	\$39,425
Special Revenue	19,943	32,891	12,948
Capital Projects	0	112,226	112,226
Total	\$87,936	\$252,535	\$164,599

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$127,299	\$85,057	\$42,242
Special Revenue	54,777	27,388	27,389
Capital Projects	129,601	111,985	17,616
Total	\$311,677	\$224,430	\$87,247

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,667	\$74,637	\$11,970
Special Revenue	19,321	17,438	(1,883)
Capital Projects	0	0	0
Total	\$81,988	\$92,075	\$10,087

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$109,411	\$65,725	\$43,686
Special Revenue	25,949	14,848	11,101
Capital Projects	18,422	0	18,422
Total	\$153,782	\$80,573	\$73,209

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

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

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

6. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

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

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Assets	\$2,241,661	\$2,309,178
Liabilities	(3,457,720)	(3,343,299)
Accumulated deficit	<u>(\$1,216,059)</u>	<u>(\$1,034,121)</u>

The Village failed to comply with requirements regarding certification of funds, maintaining records, use of excise taxes, and limiting appropriations.



**Auditor of State
Betty Montgomery**

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

Village of Tremont City
Clark County
26 East Main Street
P.O. Box 93
Tremont City, Ohio 45372

To the Village Council:

We have audited the financial statements of the Village of Tremont City, Clark County, (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 13, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village used the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions in 2004. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting 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. Reportable conditions are described in the accompanying schedule of findings as items 2005-006 and 2005-007.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Village's management dated November 13, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-005. In a separate letter to the Village's management dated November 13, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 13, 2006

VILLAGE OF TREMONT CITY
CLARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

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 ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by Village.
- 2. Blanket certificate:** Fiscal officers may prepare "blanket" certificates for a sum not exceeding an amount established by resolution or ordinance adopted by members of 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 utilize purchase orders after February 2005. Further, purchase orders that were printed prior to February 2005, were not properly signed or dated. The Village should review Ohio Rev. Code Section 5705.41(D) and implement procedures for certification of funds. The Village should obtain the required certification by the fiscal officer and authorization by the Village Council.

FINDING NUMBER 2005-002

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

Ohio Admin. Code Section 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, Payroll Records, and Utility Billings Records.

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

- The Village ledgers did not indicate the balances of estimated resources available or the balances of remaining appropriations.
- The Clerk failed to maintain a receipt ledger, appropriations ledger, or a record of leave usage and balances.
- The Village maintained two sets of financial records, one on a manual system and one using QuickBooks, which did not agree to each other.

The Clerk should maintain the required receipt ledger, appropriations ledger, and a record of leave usage and balances to provide complete and accurate financial data; and to provide for complete record keeping, the Village should verify the data maintained on both systems are accurate and can be reconciled. Additionally, independent periodic reviews should be performed to verify the accuracy of the records.

FINDING NUMBER 2005-003

Ohio Rev. Code Section 5735.29 states that each municipal corporation, county, or Village shall use at least ninety per cent of all Motor Fuel Excise Taxes to supplement, rather than supplant, other local funds used for highway-related purposes. These purposes include costs related to constructing or maintaining (etc.): state highways, public bridges, public street signs and public traffic lights and certain public harbors and waterways. During 2004, the Village supplanted the fuel excise taxes rather than supplement the funding as required. The Village should be expending more local funds to meet the supplement, not supplant requirement.

FINDING NUMBER 2005-004

Ohio Rev. Code Section 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. **5705.36(A)(4)** requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

**FINDING NUMBER 2005-004
 (Continued)**

The following had appropriations in excess of estimated resources:

	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Variance</u>
2004			
General Fund	\$109,391	\$106,898	(\$2,493)
Capital Projects Fund	18,422	17,616	(806)
2005			
General Fund	127,299	121,158	(6,141)
Special Revenue	54,777	45,829	8,948
Capital Projects	\$129,601	\$ 17,616	\$111,985

Additionally beginning balances on the 2004 Certificate of Estimated Resources were not always accurate, for example the General Fund balance was misstated by \$4,000.

Procedures should be implemented to routinely review budgetary activity and include required revisions to budgetary documents to prevent inappropriate budgeting. Further comparisons to actual activity should be done regularly to determine if any changes in budgeted constraints or actual activity are necessary.

FINDING NUMBER 2005-005

Ohio Rev. Code Section 5705.13(C) provides that a taxing authority may create, by resolution, one or more capital projects funds to accumulate resources for the acquisition, construction, or improvement of fixed assets, including motor vehicles. Each fund must be created by ordinance or resolution. The resolution or ordinance must identify the asset(s) to be acquired, the amount needed to be accumulated, the period over which the amount will be accumulated (with a limit of ten years from the date of the resolution or ordinance), and the source of the resources. Despite ORC 5705.14 through .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 \$17,616. The Village should determine the source of the money and return it to the appropriate fund.

FINDING NUMBER 2005-006

Mayor's Court Records

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

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

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

FINDING NUMBER 2005-007

Classification of Revenues/Disbursements

The Village included numerous receipts such as the \$10,000 exemption, public utility reimbursement, and rollbacks as property tax revenue that should have been classified as intergovernmental revenue. Additionally, transfers out were booked as expenditures, and consequentially, transfers in did not equal transfers out. These incorrect postings resulted in changes to the financial statements for 2005 and 2004.

The Village should exercise due care when posting transactions to create a more accurate and reliable financial records and annual reports to provide Council with information for financial decision making.

**VILLAGE OF TREMONT CITY
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC Sec. 5705.41(B) – Expenditures exceeded appropriations	Yes	Corrected
2003-002	ORC Sec. 5705.39 – Appropriations exceeded estimated revenue	No	Repeated; Finding Number 2005-005
2003-003	ORC Sec. 5705.41(D) – Failure to properly certify availability of funds prior to expenditures	No	Repeated; Finding Number 2005-002



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VILLAGE OF TREMONT VILLAGE

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
JANUARY 2, 2007**