



Dave Yost • Auditor of State



VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY

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# Dave Yost • Auditor of State

Village of Tiltonsville  
Jefferson County  
P.O. Box 127  
Tiltonsville, OH 43963-0127

To the Village Council:

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

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

**Dave Yost**  
Auditor of State

March 14, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Tiltonsville  
Jefferson County  
P.O. Box 127  
Tiltonsville, OH 43963-0127

To the Village Council:

We have audited the accompanying financial statements of the Village of Tiltonsville, Jefferson County, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Section 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require 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, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Tiltonsville, Jefferson County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 March 14, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

**Dave Yost**  
Auditor of State

March 14, 2011



VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY

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

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
<b>Cash Receipts:</b>			
Property and Local Taxes	\$69,912	\$91,550	\$161,462
Intergovernmental	78,853	71,735	150,588
Fines, Licenses and Permits	28,210		28,210
Earnings on Investments	547	5	552
Miscellaneous	8,533	1,712	10,245
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	186,055	165,002	351,057
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	108,385	40,484	148,869
Public Health Services	2,213		2,213
Transportation		68,521	68,521
General Government	65,409	1,730	67,139
Debt Service:			
Redemption of Principal		35,704	35,704
Interest and Fiscal Charges	6,073	5,667	11,740
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	182,080	152,106	334,186
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	3,975	12,896	16,871
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	83,206	99,405	182,611
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<b>Fund Cash Balances, December 31</b>	<b><u>\$87,181</u></b>	<b><u>\$112,301</u></b>	<b><u>\$199,482</u></b>

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

**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

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

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$510,338
Total Operating Cash Receipts	510,338
<b>Operating Cash Disbursements:</b>	
Personal Services	108,181
Employee Fringe Benefits	40,418
Contractual Services	138,031
Supplies and Materials	88,599
Other	2,979
Total Operating Cash Disbursements	378,208
Operating Income/(Loss)	132,130
<b>Non-Operating Cash Receipts:</b>	
Miscellaneous Receipts	1,360
Total Non-Operating Cash Receipts	1,360
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	47,505
Interest and Other Fiscal Charges	14,781
Total Non-Operating Cash Disbursements	62,286
Net Receipts Over/(Under) Disbursements	71,204
Fund Cash Balances, January 1	440,903
<b>Fund Cash Balances, December 31</b>	<b>\$512,107</b>

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

VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$70,241	\$90,599		\$160,840
Intergovernmental	70,845	69,134		139,979
Fines, Licenses and Permits	20,352			20,352
Earnings on Investments	1,278			1,278
Miscellaneous	11,814			11,814
<b>Total Cash Receipts</b>	<b>174,530</b>	<b>159,733</b>		<b>334,263</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	94,723	54,904		149,627
Public Health Services	2,245			2,245
Transportation		49,863		49,863
General Government	57,395	7,883		65,278
Debt Service:				
Redemption of Principal		204,284		204,284
Interest and Fiscal Charges		8,332		8,332
<b>Total Cash Disbursements</b>	<b>154,363</b>	<b>325,266</b>		<b>479,629</b>
Total Receipts Over/(Under) Disbursements	20,167	(165,533)		(145,366)
<b>Other Financing Receipts / (Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Sale of Notes		168,689		168,689
Transfers-In	830			830
Transfers-Out	(658)	(174)	(\$557)	(1,389)
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>172</b>	<b>168,515</b>	<b>(557)</b>	<b>168,130</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	20,339	2,982	(557)	22,764
Fund Cash Balances, January 1	62,867	96,423	\$557	159,847
<b>Fund Cash Balances, December 31</b>	<b>\$83,206</b>	<b>\$99,405</b>		<b>\$182,611</b>

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

VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$513,263		\$513,263
Total Operating Cash Receipts	<u>513,263</u>		<u>513,263</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	119,262		119,262
Employee Fringe Benefits	47,478		47,478
Contractual Services	143,992		143,992
Supplies and Materials	147,279		147,279
Claims	5,199		5,199
Total Operating Cash Disbursements	<u>463,210</u>		<u>463,210</u>
Operating Income/(Loss)	<u>50,053</u>		<u>50,053</u>
<b>Non-Operating Cash Receipts:</b>			
Property and Other Local Taxes		\$20,296	20,296
Intergovernmental		3,684	3,684
Sale of Notes	365,907		365,907
Miscellaneous Receipts	1,125		1,125
Total Non-Operating Cash Receipts	<u>367,032</u>	<u>23,980</u>	<u>391,012</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	4,200		4,200
Redemption of Principal	405,769		405,769
Interest and Other Fiscal Charges	19,346		19,346
Other Non-Operating Cash Disbursements		23,981	23,981
Total Non-Operating Cash Disbursements	<u>429,315</u>	<u>23,981</u>	<u>453,296</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(12,230)	(1)	(12,231)
Transfers-In	4,258		4,258
Transfers-Out	(3,600)	(99)	(3,699)
Net Receipts Over/(Under) Disbursements	(11,572)	(100)	(11,672)
Fund Cash Balances, January 1	<u>452,475</u>	<u>\$100</u>	<u>452,575</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$440,903</u></u></b>		<b><u><u>\$440,903</u></u></b>

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

**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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 Tiltonsville, Jefferson County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer utilities and sanitation services and police services. The Village contracts with the Tiltonsville Volunteer Fire Department to provide fire protection services.

The Village participates in the Public Entity Risk Pool. Note 9 to the financial statements provides additional information for the entity. The organization is:

**Public Entities Pool of Ohio (PEP)**

**The Public Entities Pool of Ohio (PEP)** is a risk-sharing pool available to Ohio local villages. PEP provides property and casualty coverage for its members. Member villages pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed members' deductibles.

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. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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.

**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

Police Fund – This fund receives proceeds from a tax levy and is used to pay for police protection services.

Fire Truck Levy Fund – This fund receives levy monies to purchase and maintain fire trucks and equipment.

**3. Debt Service Funds**

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

Melill Lift Station Fund – This fund was used to pay debt that was accumulated to construct a water/sewer facility. The project had been financed with special assessments that were collected by the County Auditor.

**3. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**4. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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 levy monies received on behalf of the East Ohio Regional Transit Authority (EORTA) for bus service within the village.

**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**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. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 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.

**G. 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:

	2010	2009
Demand deposits	<u>\$247,196</u>	<u>\$159,623</u>
Total deposits	<u>247,196</u>	<u>159,623</u>
STAR Ohio	<u>464,393</u>	<u>463,891</u>
Total investments	<u>464,393</u>	<u>463,891</u>
Total deposits and investments	<u><u>\$711,589</u></u>	<u><u>\$623,514</u></u>

**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS – (Continued)**

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

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$187,427	\$186,055	(\$1,372)
Special Revenue	161,570	165,002	3,432
Enterprise	526,905	511,698	(15,207)
Total	\$875,902	\$862,755	(\$13,147)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$197,825	\$182,080	\$15,745
Special Revenue	207,301	152,106	55,195
Enterprise	759,426	440,494	318,932
Total	\$1,164,552	\$774,680	\$389,872

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$185,570	\$175,360	(\$10,210)
Special Revenue	156,422	328,422	172,000
Enterprise	542,561	884,553	341,992
Total	\$884,553	\$1,388,335	\$503,782

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$221,282	\$155,021	\$66,261
Special Revenue	221,147	325,440	(104,293)
Debt Service	657	557	100
Enterprise	759,850	896,125	(136,275)
Total	\$1,202,936	\$1,377,143	(\$174,207)

Contrary to Ohio Revised Code Section 5705.41(D), the Village made expenditures that were not certified or recorded.



**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. PROPERTY TAX**

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$414,697	4.39%
Ohio Water Development Authority Loan	291,333	0%
Total	\$706,030	

The Village refinanced general obligation notes in 2009 for the upgrades to the sewer system and a fire truck and equipment for the volunteer fire department. The notes are collateralized by future sewer receipts and the Village's taxing authority.

The Ohio Public Works Commission (OPWC) notes were issued for road improvements and water line replacements. The Village's taxing authority collateralized the notes.

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

	Ohio Public Works	General Obligation Notes
Year ending December 31:		
2011	\$17,993	\$86,220
2012	\$17,993	\$86,220
2013	\$17,993	68,221
2014	\$17,993	45,404
2015	\$17,993	45,404
2016-2020	89,966	151,345
2021-2025	85,522	
2026-2027	25,880	
Total	\$291,333	\$482,814

**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and 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 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages.

For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**7. RISK MANAGEMENT**

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, 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, 2009 and 2008 (the latest information available).

**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. RISK MANAGEMENT - (Continued)**

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	(15,256,862)	(15,310,206)
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Village's share of these unpaid claims collectible in future years is approximately \$15,080.

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

	<u>Contributions to PEP</u>	
<u>2010</u>	<u>2009</u>	<u>2008</u>
\$16,047	\$16,940	\$17,170

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.

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# Dave Yost • Auditor of State

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

Village of Tiltonsville  
Jefferson County  
P.O. Box 127  
Tiltonsville, OH 43963-0127

To the Village Council:

We have audited the financial statements of Village of Tiltonsville, Jefferson County, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated March 14, 2011 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Codes Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Section 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our 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 we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

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 finding 2010-002 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-003 described in the accompanying schedule of findings to be a significant deficiency.

### **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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 14, 2011.

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



**Dave Yost**  
Auditor of State

March 14, 2011

**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2010**

**FINDING NUMBER 2010-001**

**Noncompliance Citation**

**Ohio Revised Code Section 5705.41(D)** provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officers' 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 no certificate is furnished as required, upon receipt of the clerk/treasurers' certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of Village council if such expenditure is otherwise valid.

2. Blanket Certificate – Fiscal Officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but 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 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 may be outstanding a particular time for any line item appropriation.

The Clerk/Treasurer did not certify or record the amount against the applicable appropriation accounts for 34% and 36% of tested expenditures in 2009 and 2010, respectively. The Village did not properly utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. 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, the Clerk/Treasurer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires authorizing disbursements. The clerk/treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Village should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2010-002**

**Material Weakness**

The Village did not correctly code and classify all receipts and disbursements in 2009 and 2010, resulting in adjustments to the financial statements. The adjustments have been posted to the Village's accounting records and corrected amounts are reflected in the accompanying financial statements.

<b>Fund Name</b>	<b>Account Type</b>	<b>Amount</b>	<b>Description</b>
<b>2009 Adjustments</b>			
General	Beginning Fund Balance	\$33	To agree beginning fund balance to prior year ending balance.
Medill Lift Station Debt Service	Beginning Fund Balance	\$557	To agree beginning fund balance to prior year ending balance.
Medill Lift Station Capital Projects	Beginning Fund Balance	\$658	To agree beginning fund balance to prior year ending balance.
General	General Government Disbursements	\$825	A 2008 disbursement that was not posted by the Village until 2009, but had been corrected by an audit adjustment in the prior period.
Fire	Intergovernmental Revenue	\$6,263	Adjust homestead & rollback receipts incorrectly posted as Local Taxes in the General Fund.
East Ohio Regional Transit Authority (EORTA)	Intergovernmental Revenue	\$3,685	Adjust homestead & rollback receipts posted to the General Fund as Intergovernmental Revenue



<b>2009 Reclassifications</b>			
East Ohio Regional Transit Authority (EORTA)	Local Taxes Revenue	\$20,296	Reclassify local taxes posted as Miscellaneous Revenue.
Police	Intergovernmental Revenue	\$1,004	Reclassify homestead & rollback receipts posted as Local Taxes.
Street Construction, Maintenance, and Repair	Intergovernmental Revenue	\$8,055	Reclassify motor vehicle license tax classified as Local Taxes.
<b>2010 Adjustment</b>			
Fire	Intergovernmental Revenue	\$7,368	Adjust homestead & rollback receipts posted as Local Taxes in the General
<b>2010 Reclassifications</b>			
Police	Intergovernmental Revenue	\$2,120	Reclassify homestead and rollback receipts posted as Local Taxes Revenue.
Street Construction, Maintenance, and Repair	Intergovernmental Revenue	\$8,111	Reclassify motor vehicle license tax posted as Local Taxes.

Failure to consistently follow a uniform chart of accounts increases the possibility the Village will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document the compliance with finance-related legal and contractual requirements. The Village Clerk/Treasurer should maintain the accounting system to identify, assemble, analyze, classify, record and report all transactions and to maintain accountability. The Village should adopt procedures for the review of posted transactions and subsequent reporting on the financial statements.

**FINDING NUMBER 2010-003**

**Significant Deficiency**

The Village Clerk/Treasurer currently prepares monthly bank reconciliations, however, on each reconciliation of the audit period, there is an unexplained reconciling item ranging from \$117 to \$3,000. Failure to maintain accurate monthly reconciliations increases the risk of discrepancies and errors going undetected. This also prohibits the Village from obtaining accurate cash balances at a given date.

The Village Clerk/Treasurer should investigate and document all discrepancies and errors when preparing the monthly reconciliation. Any adjustment should be fully documented when posted to the accounting records. The Clerk/Treasurer and the Council should carefully review the weaknesses in the cash reconciliation process and develop internal controls, which will support the integrity of the Village's financial records and reports. A review process should be implemented whereby the Village Council would review ledgers, monthly financial statements and the monthly reconciliations, as well as the support for the monthly cash reconciliations and document the reviews.

**Officials Response**

We did not receive a response to the findings reported above.

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**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Ohio Revised Code Section 5705.41(D)	No	Reissued as Finding 2010-001
2008-002	Significant Deficiency-Failure to prepare accurate monthly reconciliations	No	Reissued as Finding 2010-003
2008-003	Significant Deficiency- Failure to accurately post receipts and disbursements	No	Reissued as Finding 2010-002

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# Dave Yost • Auditor of State

VILLAGE OF TILTONSVILLE

JEFFERSON 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  
JULY 12, 2011