



Dave Yost • Auditor of State

VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Tiltonsville
Jefferson County
P.O. Box 127
Tiltonsville, Ohio 43963

To Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Tiltonsville, Jefferson County, (the "Village") as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001

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The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Tiltonsville, Jefferson County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1B.

Emphasis of Matter

As discussed in Note 1F to the financial statements, during 2011 the Village of Tiltonsville, Jefferson County adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 21, 2013

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$68,100	\$88,490	\$156,590
Intergovernmental	31,736	70,961	102,697
Fines, Licenses and Permits	66,830		66,830
Earnings on Investments	372	70	442
Miscellaneous	13,686		13,686
<i>Total Cash Receipts</i>	<u>180,724</u>	<u>159,521</u>	<u>340,245</u>
Cash Disbursements			
Current:			
Security of Persons and Property	116,355	53,197	169,552
Public Health Services	2,297		2,297
Transportation		50,482	50,482
General Government	62,887	1,884	64,771
Debt Service:			
Principal Retirement	1,034	39,666	40,700
Interest and Fiscal Charges	566	3,093	3,659
<i>Total Cash Disbursements</i>	<u>183,139</u>	<u>148,322</u>	<u>331,461</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,415)</u>	<u>11,199</u>	<u>8,784</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources		40	40
<i>Total Other Financing Receipts (Disbursements)</i>		<u>40</u>	<u>40</u>
<i>Net Change in Fund Cash Balances</i>	(2,415)	11,239	8,824
<i>Fund Cash Balances, January 1</i>	<u>68,138</u>	<u>123,332</u>	<u>191,470</u>
Fund Cash Balances, December 31			
Restricted		134,571	134,571
Unassigned (Deficit)	65,723		65,723
<i>Fund Cash Balances, December 31</i>	<u>\$65,723</u>	<u>\$134,571</u>	<u>\$200,294</u>

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

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

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

	Enterprise
Operating Cash Receipts	
Charges for Services	\$443,642
<i>Total Operating Cash Receipts</i>	443,642
Operating Cash Disbursements	
Personal Services	100,606
Employee Fringe Benefits	17,788
Contractual Services	143,719
Supplies and Materials	168,256
Other	3,654
<i>Total Operating Cash Disbursements</i>	434,023
<i>Operating Income (Loss)</i>	9,619
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	239
Capital Outlay	(2,710)
Principal Retirement	(54,375)
Interest and Other Fiscal Charges	(11,877)
Other Financing Sources	6
<i>Total Non-Operating Receipts (Disbursements)</i>	(68,717)
<i>Net Change in Fund Cash Balances</i>	(59,098)
<i>Fund Cash Balances, January 1</i>	587,898
<i>Fund Cash Balances, December 31</i>	\$528,800

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

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$67,494	\$86,638	\$154,132
Intergovernmental	53,813	73,406	127,219
Fines, Licenses and Permits	22,624		22,624
Earnings on Investments	338	72	410
Miscellaneous	10,269	715	10,984
<i>Total Cash Receipts</i>	<u>154,538</u>	<u>160,831</u>	<u>315,369</u>
Cash Disbursements			
Current:			
Security of Persons and Property	113,795	44,466	158,261
Public Health Services	2,230		2,230
Leisure Time Activities	998		998
Transportation		61,472	61,472
General Government	56,565	1,934	58,499
Capital Outlay	50,000		50,000
Debt Service:			
Principal Retirement		37,389	37,389
Interest and Fiscal Charges		4,539	4,539
<i>Total Cash Disbursements</i>	<u>223,588</u>	<u>149,800</u>	<u>373,388</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(69,050)</u>	<u>11,031</u>	<u>(58,019)</u>
Other Financing Receipts (Disbursements)			
Sale of Notes	50,000		50,000
Other Financing Sources	7		7
<i>Total Other Financing Receipts (Disbursements)</i>	<u>50,007</u>		<u>50,007</u>
<i>Net Change in Fund Cash Balances</i>	(19,043)	11,031	(8,012)
<i>Fund Cash Balances, January 1</i>	<u>87,181</u>	<u>112,301</u>	<u>199,482</u>
Fund Cash Balances, December 31			
Restricted		123,332	123,332
Unassigned (Deficit)	68,138		68,138
<i>Fund Cash Balances, December 31</i>	<u>\$68,138</u>	<u>\$123,332</u>	<u>\$191,470</u>

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

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$483,345
<i>Total Operating Cash Receipts</i>	483,345
Operating Cash Disbursements	
Personal Services	88,679
Employee Fringe Benefits	17,212
Contractual Services	144,714
Supplies and Materials	94,218
Other	3,300
<i>Total Operating Cash Disbursements</i>	348,123
<i>Operating Income (Loss)</i>	135,222
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	9,224
Capital Outlay	(6,430)
Principal Retirement	(49,843)
Interest and Other Fiscal Charges	(12,443)
Other Financing Sources	61
<i>Total Non-Operating Receipts (Disbursements)</i>	(59,431)
<i>Net Change in Fund Cash Balances</i>	75,791
<i>Fund Cash Balances, January 1</i>	512,107
<i>Fund Cash Balances, December 31</i>	\$587,898

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, 2012 AND 2011**

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 and sewer utilities, park operations, police, and general governmental services. The Village contracts with Tiltonsville Volunteer Fire Department for fire protection services.

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. Note 7 to the financial statements provide additional information for this entity. This organization is:

Public Entities Pool of Ohio (PEP):

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.

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

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue 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 proceeds from a tax levy to purchase and maintain fire trucks and equipment.

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.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

Beginning in 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 TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (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.

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:

	2012	2011
Demand deposits	\$264,085	\$314,713
Total deposits	264,085	314,713
STAR Ohio	465,009	464,655
Total investments	465,009	464,655
Total deposits and investments	\$729,094	\$779,368

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

Investments: Investments in STAR Ohio is not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$182,098	\$180,724	(\$1,374)
Special Revenue	158,177	159,561	1,384
Enterprise	441,624	443,887	2,263
Total	\$781,899	\$784,172	\$2,273

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$224,618	\$183,139	\$41,479
Special Revenue	222,344	148,322	74,022
Enterprise	792,973	502,985	289,988
Total	\$1,239,935	\$834,446	\$405,489

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$208,055	\$204,545	(\$3,510)
Special Revenue	161,994	160,831	(1,163)
Enterprise	485,524	492,630	7,106
Total	\$855,573	\$858,006	\$2,433

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$245,226	\$223,588	\$21,638
Special Revenue	195,967	149,800	46,167
Enterprise	732,147	416,839	315,308
Total	\$1,173,340	\$790,227	\$383,113

4. Property Tax

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

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

5. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$318,377	4.39%
Ohio Public Works Commission Notes	255,346	0.00%
Total	\$573,723	

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Debt (Continued)

The Village refinanced general obligation notes in 2009 for the upgrades to the sewer system and the purchase of a fire truck with equipment for the volunteer fire department. During 2011, the Village obtained a general obligation note for the purchase of a new village building. 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 waterline replacements. The Village's taxing authority collateralized the notes.

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

Year ending December 31:	OPWC	General Obligation Notes
2013	\$9,552	\$85,250
2014	17,993	59,542
2015	17,993	59,403
2016	17,993	59,266
2017	17,993	59,124
2018-2022	88,856	54,472
2023-2027	84,411	
Total	\$254,791	\$377,057

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 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, 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, 2012.

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.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

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. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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, 2012, 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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$18,000,

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.

VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

7. Risk Management (Continued)

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$19,621	\$17,876

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.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, Ohio 43963

To Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Tiltonsville, Jefferson County, (the "Village") as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated October 21, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted that the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2012-002 described in the accompanying schedule of findings to be a material weakness.

Village of Tiltonsville

Jefferson County

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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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, opining 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 2012-001.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost

Auditor of State

Columbus, Ohio

October 21, 2013

VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY

SCHEDULE OF FINDINGS

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

FINDING NUMBER 2012-001

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 fiscal officer's 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 Village 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 32% and 12% of tested expenditures from 2012 and 2011, respectively. Failure to certify the availability of funds and encumber appropriations could result in overspending in 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. The Village used blanket certificates or super blanket certificates for all purchases requiring certification, however, there was more than one blanket certificate outstanding at one time for one particular line item and super blanket certificates were frequently used for nonrecurring expenses.

**FINDING NUMBER 2012-001
 (Continued)**

The Clerk/Treasurer should certify purchases to which section 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 which will reduce the available appropriation. This will assist in improving controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, when prior certification is not possible. "Then and now" certification as well as blanket certificates should be used in accordance with the above-mentioned guidelines.

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

FINDING NUMBER 2012-002

Material Weakness

The Village did not correctly code and classify all receipts and disbursements in 2011 and 2012, resulting in adjustments to the financial statements. The Clerk/Treasurer has agreed to adjustments and reclassifications. The adjustments have been posted to the Village's accounting records and corrected amounts are reflected in the accompanying financial statements.

Fund Name	Account Type	Amount	Description
2011			
Adjustments			
Water	Principal retirement expenditures	\$2,672	Misposted to the Fire Truck Levy Fund
General	Capital outlay expenditures Proceeds of notes revenue	\$50,000	Debt proceeds and subsequent expenditures were not recorded on the Village ledgers
Reclassifications			
General	Intergovernmental revenue	\$2,230	Misclassified as local taxes
Street Construction, Maintenance, & Repair	Intergovernmental revenue	\$8,262	Misclassified as local taxes
State Highway	Intergovernmental revenue	\$670	Misclassified as local taxes
Police Levy	Intergovernmental revenue	\$8,682	Misclassified as local taxes
Fire Truck Levy	Intergovernmental revenue	\$9,032	Misclassified as local taxes
Street Construction, Maintenance, and Repair	Principal retirement expenditures	\$1,111	Misclassified as interest and fiscal charges expenditures
Water	Principal retirement expenditures	\$9,389	Misclassified as interest and fiscal charges expenditures
Fire Truck Levy	Principal retirement expenditures	\$458	Misclassified as interest and fiscal charges expenditures

**FINDING NUMBER 2012-02
 (Continued)**

2012			
Adjustments			
Water	Principal retirement expenditures	\$997	Misposted to the Fire Truck Levy Fund
Reclassifications			
Street Construction, Maintenance, & Repair	Intergovernmental revenue	\$8,549	Misclassified as local taxes
State Highway	Intergovernmental Revenue	\$693	Misclassified as Local Taxes Revenue
Police Levy	Intergovernmental Revenue	\$6,911	Misclassified as Local Taxes Revenue
State Highway	Intergovernmental Revenue	\$693	Misclassified as Local Taxes Revenue
Police Levy	Intergovernmental Revenue	\$6,911	Misclassified as Local Taxes Revenue
Fire Truck Levy	Intergovernmental revenue	\$8,077	Misclassified as local taxes
General	Fines, licenses, and permits	\$15,327	Misclassified as miscellaneous revenue
General	Principal retirement expenditure	\$1,034	Misclassified as interest and fiscal charges
Street	Principal retirement expenditure	\$1,111	Misclassified as interest and fiscal charges
Water	Principal retirement expenditure	\$15,982	Misclassified as interest and fiscal charges
Sewer	Principal retirement expenses	\$1,983	Misclassified as capital outlay

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 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.

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

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**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Revised Code Section 5705.41(D) Certification of Expenditures	No	Reissued as Finding 2012-001
2010-002	Material Weakness – Failure to Accurately Post Receipts and Disbursements	No	Reissued as Finding 2012-002
2010-003	Significant Deficiency – Failure to Prepare Accurate Monthly Reconciliations	No	Partially corrected; comment has been issued in the management letter.

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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
NOVEMBER 26, 2013