



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 the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Tiltonsville, Jefferson County, (the Village) as of and for the years ended December 31, 2014 and 2013.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 1 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles – (Continued)

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2014 and 2013, or changes in financial position 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 the Village of Tiltonsville, Jefferson as of December 31, 2014 and 2013, and their 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(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2015, 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

September 15, 2015

**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, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$58,424	\$94,809	\$153,233
Intergovernmental	44,239	70,846	115,085
Fines, Licenses and Permits	32,122	0	32,122
Earnings on Investments	159	28	187
Miscellaneous	8,409	3,000	11,409
<i>Total Cash Receipts</i>	<u>143,353</u>	<u>168,683</u>	<u>312,036</u>
Cash Disbursements			
Current:			
Security of Persons and Property	147,272	31,614	178,886
Public Health Services	2,869	0	2,869
Leisure Time Activities	250		250
Transportation	0	63,083	63,083
General Government	57,839	2,466	60,305
Debt Service:			
Principal Retirement	4,029	10,662	14,691
Interest and Fiscal Charges	659	1,018	1,677
<i>Total Cash Disbursements</i>	<u>212,918</u>	<u>108,843</u>	<u>321,761</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(69,565)</u>	<u>59,840</u>	<u>(9,725)</u>
<i>Net Change in Fund Cash Balances</i>	(69,565)	59,840	(9,725)
<i>Fund Cash Balances, January 1</i>	<u>108,418</u>	<u>167,542</u>	<u>275,960</u>
Fund Cash Balances, December 31			
Restricted	-	227,382	227,382
Unassigned (Deficit)	38,853		38,853
<i>Fund Cash Balances, December 31</i>	<u>\$38,853</u>	<u>\$227,382</u>	<u>\$266,235</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 AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$418,231
<i>Total Operating Cash Receipts</i>	<i>418,231</i>
Operating Cash Disbursements	
Personal Services	92,769
Employee Fringe Benefits	15,806
Contractual Services	155,476
Supplies and Materials	190,143
Other	3,900
<i>Total Operating Cash Disbursements</i>	<i>458,094</i>
<i>Operating Income (Loss)</i>	<i>(39,863)</i>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	100
Capital Outlay	(10,972)
Principal Retirement	(56,832)
Interest and Other Fiscal Charges	(8,237)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(75,941)</i>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<i>(115,804)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(115,804)</i>
<i>Fund Cash Balances, January 1</i>	<i>503,422</i>
<i>Fund Cash Balances, December 31</i>	<i>\$387,618</i>

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, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$68,971	\$90,868	\$159,839
Intergovernmental	127,498	69,540	197,038
Fines, Licenses and Permits	31,863	0	31,863
Earnings on Investments	223	34	257
Miscellaneous	8,432		8,432
<i>Total Cash Receipts</i>	<u>236,987</u>	<u>160,442</u>	<u>397,429</u>
Cash Disbursements			
Current:			
Security of Persons and Property	125,693	27,733	153,426
Public Health Services	2,626	0	2,626
Leisure Time Activities	500		500
Transportation	0	62,964	62,964
General Government	63,874	1,873	65,747
Capital Outlay	0	34,587	34,587
Debt Service:			
Principal Retirement	1,250	32,340	33,590
Interest and Fiscal Charges	349	2,561	2,910
<i>Total Cash Disbursements</i>	<u>194,292</u>	<u>162,058</u>	<u>356,350</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>42,695</u>	<u>(1,616)</u>	<u>41,079</u>
Other Financing Receipts (Disbursements)			
Sale of Bonds		34,587	34,587
Proceeds of Notes	0		0
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>34,587</u>	<u>34,587</u>
<i>Net Change in Fund Cash Balances</i>	42,695	32,971	75,666
<i>Fund Cash Balances, January 1</i>	<u>65,723</u>	<u>134,571</u>	<u>200,294</u>
Fund Cash Balances, December 31			
Restricted	-	167,542	167,542
Unassigned (Deficit)	<u>108,418</u>		<u>108,418</u>
<i>Fund Cash Balances, December 31</i>	<u>\$108,418</u>	<u>\$167,542</u>	<u>\$275,960</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 AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$451,478
<i>Total Operating Cash Receipts</i>	<i>451,478</i>
Operating Cash Disbursements	
Personal Services	101,044
Employee Fringe Benefits	22,181
Contractual Services	176,932
Supplies and Materials	117,210
Other	2,203
<i>Total Operating Cash Disbursements</i>	<i>419,570</i>
<i>Operating Income (Loss)</i>	<i>31,908</i>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	8,015
Principal Retirement	(54,882)
Interest and Other Fiscal Charges	(10,419)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(57,286)</i>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<i>(25,378)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(25,378)</i>
<i>Fund Cash Balances, January 1</i>	<i>528,800</i>
<i>Fund Cash Balances, December 31</i>	<i>\$503,422</i>

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, 2014 AND 2013**

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 general government services, water and sanitation utilities, park operations, and police services. The Village contracts with Tiltonsville Volunteer Fire Department to receive fire protection.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village's 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, 2014 AND 2013
(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 (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. 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 approve estimated resources.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(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 cancelled reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

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

1. 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, 2014 AND 2013
(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.

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2014	2013
Demand deposits	\$188,509	\$314,192
Total deposits	188,509	314,192
STAR Ohio	465,344	465,190
Total investments	465,344	465,190
Total deposits and investments	\$653,853	\$779,382

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.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$147,339	\$143,353	(\$3,986)
Special Revenue	159,968	168,683	8,715
Enterprise	463,604	418,331	(45,273)
Total	\$770,911	\$730,367	(\$40,544)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$220,611	\$212,918	\$7,693
Special Revenue	136,456	108,843	27,613
Enterprise	590,025	534,135	55,890
Total	\$947,092	\$855,896	\$91,196

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$150,664	\$271,575	\$120,911
Special Revenue	156,090	195,029	38,939
Enterprise	464,957	459,493	(5,464)
Total	\$771,711	\$926,097	\$154,386

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$214,559	\$194,292	\$20,267
Special Revenue	250,141	162,058	88,083
Enterprise	785,076	484,871	300,205
Total	\$1,249,776	\$841,221	\$408,555

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.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. PROPERTY TAX - (Continued)

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, 2014 was as follows:

	Principal	Interest Rate
Police Cruiser Loan	\$17,026	4.54%
City Building Loan	\$35,000	2.75%
OPWC 241	\$211,027	0.00%
OPWC CN22	\$7,783	0.00%
Water Treatment Plant	177,989	4.39%
Total	\$448,825	

The Police Cruiser Loan was for the purchase of a new police cruiser for the Village Police Department. The loan is collateralized by the equipment purchased.

The City Building Loan was for the purchase of a new building to be used by the Village, Police and Utility Departments. The loan is collateralized by the full faith and credit of the Village.

The Ohio Public Works Commission (OPWC) 241 Waterline Replacement Loan is an interest free loan for waterline replacement. The loan will be repaid in semi-annual payments of \$8,441 over 20 years.

The Ohio Public Works Commission (OPWC) CN22 Road Improvement Loan is an interest free loan for a road improvement project. The loan will be repaid in semi-annual installments of \$556 over 20 years.

The Water Treatment Plant Loan was a sewer improvement loan. The loan will be repaid in monthly installments of \$3,784 through 2019. 28% of the loan is being reimbursed to the Village by the Village of Rayland.

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

		City Building			Water Treatment
Year ending December 31:	Police Cruiser Loan	Loan	OPWC 241 Waterline	OPWC CN22 Road Imp	Plant
2015	\$12,354	\$5,976	\$16,882	\$1,112	\$45,404
2016	12,354	5,839	16,882	1,112	45,404
2017		5,697	16,882	1,112	45,404
2018		5,558	16,882	1,112	45,404
2019		5,418	16,882	1,112	15,135
2020-2024		10,419	84,411	2,223	
2025-2029			42,205		
Total	\$24,708	\$38,907	\$211,026	\$7,783	\$196,751

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

7. RISK MANAGEMENT

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

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

The Government 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, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014 (the latest information available):

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. RISK MANAGEMENT - (Continued)

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.16 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Government's share of these unpaid claims collectible in future years is approximately \$13,263.

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

Contributions to PEP	
2014	2013
20,096	20,209

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.

8. CONTINGENT LIABILITIES

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.



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, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D).

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. 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 2014-001 described in the accompanying schedule of findings to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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.



Dave Yost
Auditor of State

Columbus, Ohio

September 15, 2015

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Material Weakness

Sound accounting practices require the Village to maintain an accounting system that enables them to identify, assemble, analyze, classify, record and report all transactions. The Village Clerk/Treasurer did not correctly post all receipts and disbursements in 2013 and 2014. This was attributed to the village clerk not abiding by the adopted chart of accounts. These mispostings resulted in reclassifications ranging from \$607 to \$34,812 in 2013, and from \$310 to \$16,882 in 2014. In addition, numerous adjustments to the financial statements resulted in the following fund balance changes which are reflected in the accompanying financial statements:

Fund	Adjusted Balance At 12/31/2014	Balance Adjustment Needed
General	38,852.99	(2,359.31)
State Highway	8,736.28	(1,261.39)
Permissive MVL	33,927.51	1,261.39
Police	35,620.05	(12,357.75)
Fire Truck	78,447.00	13,687.57
Water Operating	86,666.52	28,857.43
Sewer Operating	190,275.07	(34,812.42)
Sanitation	88,514.26	6,984.48

Failure to consistently follow a uniform chart of accounts increase the possibility the Village will not be able to identify, assemble, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The Clerk/Treasurer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the UAN chart of accounts to help ensure that financial activity of the Village is accurately recorded and reported.

Official's Response:

The Clerk/Treasurer was new in 2013 and followed the account coding and training of the prior Clerk/Treasurer, not realizing until during the audit that the classifications were incorrect. The Village Clerk/Treasurer will review the findings so that the prior coding errors can be corrected going forward. The Clerk/Treasurer will also update the Receipt Budget going forward for any increased/decreased changes in the estimated funds received. The Village anticipates that with these changes and continued training that these items will improve and be more accurately stated, thereby resolving the issue.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code Section 5705.41(D) Certification of Expenditures	No	Partially Corrected; Citation has been issued in the management letter
2012-002	Material Weakness – Failure to Accurately Post Receipts and Expenditures	No	Reissued as Finding 2014-001



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 5, 2015**