



Dave Yost • Auditor of State

VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Enterprise Fund Type - For the Year Ended December 31, 2016	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Enterprise Fund Type - For the Year Ended December 31, 2015	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	19

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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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Tiltonsville, Jefferson County, (the Village) as of and for the years ended December 31, 2016 and 2015.

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 opinions.

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.

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, 2016 and 2015, 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 County as of December 31, 2016 and 2015, 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(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 May 3, 2017, 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

May 3, 2017

**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, 2016**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$75,408	\$54,593	\$130,001
Intergovernmental	37,264	71,709	108,973
Special Assessments		90	90
Fines, Licenses and Permits	13,173		13,173
Earnings on Investments	2,008	313	2,321
Miscellaneous	21,910	175	22,085
<i>Total Cash Receipts</i>	<u>149,763</u>	<u>126,880</u>	<u>276,643</u>
Cash Disbursements			
Current:			
Security of Persons and Property	128,548	45,344	173,892
Public Health Services	3,297		3,297
Transportation		70,987	70,987
General Government	62,869	4,269	67,138
Debt Service:	49,999		49,999
Principal Retirement	1,250	7,622	8,872
Interest and Fiscal Charges	349	58	407
<i>Total Cash Disbursements</i>	<u>246,312</u>	<u>128,280</u>	<u>374,592</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(96,549)</u>	<u>(1,400)</u>	<u>(97,949)</u>
Other Financing Receipts (Disbursements)			
Transfers In	45,000		45,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>45,000</u>	<u>0</u>	<u>45,000</u>
<i>Net Change in Fund Cash Balances</i>	(51,549)	(1,400)	(52,949)
<i>Fund Cash Balances, January 1</i>	<u>68,249</u>	<u>136,031</u>	<u>204,280</u>
Fund Cash Balances, December 31			
Restricted	-	134,631	134,631
Assigned	8,812		8,812
Unassigned (Deficit)	7,888		7,888
<i>Fund Cash Balances, December 31</i>	<u>\$16,700</u>	<u>\$134,631</u>	<u>\$151,331</u>

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ENTERPRISE FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$528,195
<i>Total Operating Cash Receipts</i>	528,195
Operating Cash Disbursements	
Personal Services	118,005
Employee Fringe Benefits	26,491
Contractual Services	156,803
Supplies and Materials	129,648
Other	3,825
<i>Total Operating Cash Disbursements</i>	434,772
<i>Operating Income (Loss)</i>	93,423
Non-Operating Receipts (Disbursements)	
Capital Outlay	(9,305)
Principal Retirement	(59,362)
Interest and Other Fiscal Charges	(5,971)
<i>Total Non-Operating Receipts (Disbursements)</i>	(74,638)
<i>Income (Loss) before Transfers</i>	18,785
Transfers Out	(45,000)
<i>Net Change in Fund Cash Balances</i>	(26,215)
<i>Fund Cash Balances, January 1</i>	336,813
<i>Fund Cash Balances, December 31</i>	\$310,598

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, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$69,207	\$62,312	\$131,519
Intergovernmental	27,639	49,188	\$76,827
Fines, Licenses and Permits	15,906		15,906
Earnings on Investments	435	2,585	3,020
Miscellaneous	25,041		25,041
	138,228	114,085	252,313
Cash Disbursements			
Current:			
Security of Persons and Property	109,031	34,884	143,915
Public Health Services	2,400		2,400
Transportation		72,006	72,006
General Government	59,248	5,335	64,583
Capital Outlay	55,001		55,001
Debt Service:			
Principal Retirement	1,250	14,211	15,461
Interest and Fiscal Charges	349	553	902
	227,279	126,989	354,268
<i>Total Cash Disbursements</i>	227,279	126,989	354,268
<i>Excess of Receipts Over (Under) Disbursements</i>	(89,051)	(12,904)	(101,955)
Other Financing Receipts (Disbursements)			
Transfers In	118,447		118,447
Transfers Out		(78,447)	(78,447)
	118,447	(78,447)	40,000
<i>Total Other Financing Receipts (Disbursements)</i>	118,447	(78,447)	40,000
<i>Net Change in Fund Cash Balances</i>	29,396	(91,351)	(61,955)
<i>Fund Cash Balances, January 1</i>	38,853	227,382	266,235
Fund Cash Balances, December 31			
Restricted		136,031	136,031
Unassigned (Deficit)	68,249		68,249
	\$68,249	\$136,031	\$204,280
<i>Fund Cash Balances, December 31</i>	\$68,249	\$136,031	\$204,280

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)
ENTERPRISE FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$492,677
<i>Total Operating Cash Receipts</i>	492,677
Operating Cash Disbursements	
Personal Services	107,650
Employee Fringe Benefits	24,474
Contractual Services	180,382
Supplies and Materials	100,717
Other	3,400
<i>Total Operating Cash Disbursements</i>	416,623
<i>Operating Income (Loss)</i>	76,054
Non-Operating Receipts (Disbursements)	
Intergovernmental	49,338
Capital Outlay	(71,418)
Principal Retirement	(57,874)
Interest and Other Fiscal Charges	(6,905)
<i>Total Non-Operating Receipts (Disbursements)</i>	(86,859)
<i>Income (Loss) before Transfers</i>	(10,805)
Transfers Out	(40,000)
<i>Net Change in Fund Cash Balances</i>	(50,805)
<i>Fund Cash Balances, January 1</i>	387,618
<i>Fund Cash Balances, December 31</i>	\$336,813

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, 2016 AND 2015**

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 services.

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The 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 Board 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, 2016 AND 2015
(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, 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.

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.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2016 and 2015 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.

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.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2016	2015
Demand deposits	\$70,950	\$75,255
STAR Ohio	390,979	465,838
Total deposits and investments	\$461,929	\$541,093

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 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 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$199,378	\$194,763	(\$4,615)
Special Revenue	105,796	126,880	21,084
Enterprise	505,004	528,195	23,191
Total	\$810,178	\$849,838	\$39,660

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

3. Budgetary Activity (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$254,024	\$246,312	\$7,712
Special Revenue	137,400	128,280	9,120
Enterprise	588,365	554,410	33,955
Total	\$979,789	\$929,002	\$50,787

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$259,825	\$256,675	(\$3,150)
Special Revenue	113,211	114,085	874
Enterprise	467,504	542,015	74,511
Total	\$840,540	\$912,775	\$72,235

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$284,868	\$227,279	\$57,589
Special Revenue	223,856	205,436	18,420
Enterprise	654,355	592,820	61,535
Total	\$1,163,079	\$1,025,535	\$137,544

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.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

5. DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
City Building Loan	\$25,000	2.75%
OPWC - CN 411	\$177,262	0%
OPWC - CN 22F	\$5,555	0%
Water Treatment Plant	99,516	3.82
Total	\$307,333	

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) 411 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) CN22F 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. The Village is being reimbursed for 28% of the loan by the Village of Rayland.

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

Year ending December 31:	City Building Loan	OPWC Loan - CN22F	OPWC Loan - 411	Water Treatment Plant Loan
2017	\$5,697	\$1,111	\$16,882	\$44,680
2018	5,558	1,111	16,882	44,680
2019	5,418	1,111	16,882	14,877
2020	5,280	1,111	16,882	
2021	5,139	1,111	16,882	
2022-2026			84,411	
2027			8,441	
Total	\$27,092	\$5,555	\$177,262	\$104,237

6. RETIREMENT SYSTEMS

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

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, 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, 2016.

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. 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 York. 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, 2015, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015 (the latest information available):

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

9. RISK MANAGEMENT (Continued)

These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$14,000.

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.

<u>Contributions to PEP</u>	
<u>2015</u>	<u>2016</u>
\$20,676	\$21,719

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.

10. INTERFUND TRANSFERS

The Village petitioned the Jefferson County Common Pleas Court and was approved to make the following interfund transfers:

YEAR	FROM FUND	TO FUND	AMOUNT
2016	Sanitation	General	\$45,000
2015	Fire Truck	General	78,447
	Sanitation	General	40,000



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
PO Box 127
Tiltonsville, Ohio 43963

To the 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 cash balances, receipts and disbursements by fund type of the Village of Tiltonsville, Jefferson County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated May 3, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-001 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, 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*.

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 style with a large, looped "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

May 3, 2017

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Posting Expenditures and Receipts / Significant Deficiency

Sound financial reporting is the responsibility of the Village Clerk /Treasurer and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Clerk/ Treasurer did not correctly code and classify the following receipts and disbursements in 2015 and 2016 due to the lack of procedures in place to properly record financial transactions. This resulted in reclassifications and adjustments to the financial statements. The Village Clerk /Treasurer has agreed to and posted the reclassifications and adjustment to the ledgers. The reclassifications and adjustment are reflected in the accompanying financial statements.

2015:

Fund Name	Account type	Amount	Description
Reclassifications:	Reclassified To:	Amount	Reclassified From:
Street M & R	Principal Disbursement	\$ 2,361	Interest Disbursement
Sewer Operating	Principal Disbursement	1,250	Supplies and Materials
Water Operating	Principal Disbursement	16,882	Interest Disbursement
Adjustment:			
Water Operating	Intergovernmental Revenue and Capital Outlay Disbursement	49,338	CDBG paid on behalf of Village not posted to ledger

2016:

Fund Name	Account Type	Amount	Description
Reclassifications:	Reclassified To:	Amount	Reclassified From:
General	Intergovernmental Revenue	\$ 10,000	Miscellaneous Revenue
Street M & R	Principal Disbursement	2,361	Interest Disbursement
Police	Intergovernmental Revenue	6,709	Tax Revenue
Sewer Operating	Principal Disbursement	1,250	Supplies and Materials
Sewer Operating	Interest Disbursement	555	Supplies and Materials
Water Operating	Principal Disbursement	16,882	Interest Disbursement

In addition, The Village misclassified Intergovernmental Revenue in 2015 and 2016. Amounts were deemed immaterial and no adjustment/reclassifications were necessary.

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 Village 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. The Clerk/ Treasurer should refer to Auditor of State Bulletin 2000-008 which provides guidance on accounting for on-behalf-of programs when local government or its residents are beneficiaries of the program.

Auditee’s Response: No response received.

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VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Mispastings resulted in reclassifications	Not corrected	Reissued as Finding 2016-001

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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
JUNE 29, 2017