



Dave Yost • Auditor of State

**Village of Tiro
Crawford County**

Financial Emergency Termination

Local Government Services

Village of Tiro, Crawford County

Fiscal Emergency Termination

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Village of Tiro Financial Forecast
For the Years Ending December 31, 2018 Through December 31, 2022

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Dave Yost • Auditor of State

CERTIFICATION

Pursuant to a request sent to the Auditor of State by the financial supervisor, the Auditor of State performed an analysis of the Village of Tiro to determine whether the functions of the financial supervisor under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that the Village of Tiro no longer meets the fiscal emergency conditions set forth in Section 118.03 of the Revised Code, that the objectives of the financial recovery plan has been met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the financial supervisor, with the responsibilities of the Financial Planning and Supervision Commission, for the Village of Tiro is terminated as of August 16, 2018.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Ronald Brown, Mayor of the Village of Tiro; Richard Schatzer, President Pro-Tempore of Village Council; John Kasich, Governor; John Husted, Secretary of State; Timothy Keen, Director of the Office of Budget and Management; and Joan M. Wolfe, Crawford County Auditor.

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

Dave Yost
Auditor of State

August 16, 2018

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Village of Tiro, Crawford County
Report on the Village of Tiro
Fiscal Emergency Termination

Report on the Termination of the Tiro Financial Supervisor

At the request of the financial supervisor of the Village of Tiro, Crawford County, Ohio, the Auditor of State has performed an analysis as provided by Section 118.27 of the Revised Code in order to determine whether the functions of the financial supervisor under Chapter 118 of the Revised Code should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, and no new emergency conditions have occurred...; (3) met the objectives of the financial plan described in Section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”.

Under Section 118.05(L), the Auditor of State has served as the financial supervisor in place of the financial planning and supervision commission due to the Village having a population of less than one thousand.

Results of our work under Section 118.27(A) of the Revised Code are as follows:

Pages four through five of the report indicate that the Village has effectively implemented a financial accounting and reporting system in accordance with Section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under Section 118.04 of the Revised Code. This analysis can be found beginning on page six.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with Section 118.06 of the Revised Code. Specific conclusions can be found on page nine.

We examined and issued a nonadverse report on the five-year forecast prepared by the Village. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the fiscal emergency for the Village of Tiro may be terminated.

It is understood that this report’s determination is for the use of the Village of Tiro, the Auditor of State of Ohio, the Governor of Ohio, and others as designated by the Auditor of State and is not to be used for any other purpose. Our procedures and findings follow.

Village of Tiro, Crawford County
Report on the Village of Tiro
Fiscal Emergency Termination

Section 1 - Financial Accounting and Reporting System

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of Tiro (the Village) and issued a Report on Accounting Methods, dated January 30, 2018. The report identified areas where the Village's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

The criteria for termination from fiscal emergency include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation, and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report of Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct the issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Purchasing Process

Auditor of State Comment from Report on Accounting Methods

The Village Council has not established, by resolution, an amount for blanket purchase orders.

Implemented

On December 20, 2017, Village Council passed Ordinance No. 13 establishing a limit of \$3,500 for blanket purchase orders.

Inventory of Capital Assets

Auditor of State Comment from Report on Accounting Methods

The Village does not have an inventory of capital assets. Without an inventory of capital assets, the Village is unable to determine if there is adequate insurance coverage, whether assets have been lost or stolen, whether idle assets exist that can be sold to generate additional revenue, and whether assets are used in the most efficient manner. The Village should develop an inventory of all capital assets and update it annually. The Village should adopt policies and procedures to account for capital assets and develop an inventory of all capital assets.

Implemented

On December 20, 2017, Village Council passed Resolution No. 3 adopting a capital asset policy and the Village has completed an inventory of its capital assets.

Village of Tiro, Crawford County
Report on the Village of Tiro
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Financial Reporting

Auditor of State Comment from Report on Accounting Methods

In accordance with Section 117.38 of the Revised Code, a notice should be published in the local newspaper that the annual financial report is completed and available at the office of the Fiscal Officer. The Village completed its annual financial report; however, a notice was not published in the local newspaper. The Village Fiscal Officer must ensure that the availability of the annual financial report is published as required.

Implemented

The Village filed its annual financial report for the year ended December 31, 2017, on January 25, 2018, with the Auditor of State's Office and notice of this report's availability was published in the local newspaper.

Recording Official Proceedings

Auditor of State Comment from Report on Accounting Methods

Ohio Revised Code Section 731.20 requires ordinances, resolutions, and bylaws be authenticated by the signature of the presiding officer and clerk. The minutes of the Village are not signed. The President of Council and the Fiscal Officer must sign all minutes approved by Village Council.

Implemented

Both the President of Council and the Fiscal Officer sign all minutes that are approved by Village Council at the subsequent Council meeting.

Auditor of State Comment from Report on Accounting Methods

The Village has not established a records commission as required by Section 149.39 of the Revised Code.

Implemented

The Village established a records commission on February 28, 2018.

Auditor of State Comment from Report on Accounting Methods

The Village has not established rules for the retention and disposal of records as required by Section 149.39 of the Revised Code.

Implemented

The Village Council has established a policy for records retention and disposal of records which was approved by Village Council on June 27, 2018.

Village of Tiro, Crawford County
Report on the Village of Tiro
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Audit Report

The Village Council and Officials receive a compliance and management letter at the conclusion of each annual audit. The audit for the periods ended December 31, 2016 and 2015, identified one noncompliance issue.

The noncompliance issue noted in the audit consisted of appropriations exceeded total estimated resources during 2015 in the General Fund. The Fiscal Officer and Village Council will continue to monitor appropriations versus estimated resources to avoid overspending.

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Under Section 118.27(A)(2) of the Ohio Revised Code, the Village shall have corrected or eliminated or have planned and be in the process of good faith implementation of actions to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Revised Code is presented below:

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

A summary of the Village's outstanding debt as of December 31, 2017, is as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Year Issued</u>	<u>Issue Amount</u>
<u>OWDA Loan</u>			
Water Distribution Design	0%	2008	\$251,978

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Revised Code. The Village is current on its debt payments as of June 30, 2018.

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or
- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for

Village of Tiro, Crawford County
Report on the Village of Tiro
Fiscal Emergency Termination

more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We obtained an understanding of the payroll process through discussion with the Fiscal Officer. We obtained payroll reports and pay rate legislation. We reviewed bank statements to determine whether Village employees were paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and fund balances to cover payroll.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Revised Code as of June 30, 2018. All employees have been paid in amounts and at the times required by ordinance.

Condition Three - Increase in Minimum Tax Levy

Section 118.03(A)(3) of the Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Crawford County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the Village for 2018 which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Crawford County Budget Commission indicated that the Commission had not taken any action for tax year 2018 to increase the inside millage of the Village.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Revised Code as June 30, 2018.

Condition Four - Past Due Accounts Payable from the General Fund and all Funds

Section 118.03(A)(4) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year end balance in the general fund and in respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

We prepared a schedule of accounts payable as of December 31, 2017, for all funds that were due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31,

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Report on the Village of Tiro
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2017, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties. There were no payables over thirty days past due in any fund.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Revised Code as of December 31, 2017. There were no payables over thirty days past due.

Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds at December 31, 2017, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. No further calculations were necessary because there were no deficit fund balances.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Revised Code. There were no deficit fund balances at December 31, 2017.

Condition Six - Treasury Balances

Section 118.03(A)(6) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village's reconciled bank balance to its statement of cash position by fund for all funds as of December 31, 2017, which included subtracting reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because the treasury balance equaled the sum of all cash balances.

Village of Tiro, Crawford County
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Schedule I

Treasury Balances
 Ohio Revised Code Section 118.03(A)(6)
 As of December 31, 2017

	Amounts at December 31, 2017
Bank Cash Balance	
Civista Bank - General Checking	\$56,031
Less Reconciling Factors for	
Outstanding Checks	(549)
Other	(82)
Total Treasury Balance	55,400
Positive Fund Balances	
General	16,257
Street Construction	23,820
State Highway	15,323
Total Positive Fund Balances	55,400
Treasury Deficiency	\$0

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of December 31, 2017. The treasury balance less the positive fund cash balances as of December 31, 2017, did not exceed one-sixth of the treasury receipts for the year.

Section 3 - Financial Plan Objectives

We obtained a copy of the financial plan of the Village and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all accounts;
- 3) Develop an effective financial accounting and reporting system; and
- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.

Village of Tiro, Crawford County
Report on the Village of Tiro
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Section 4 - Financial Forecast

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding a fiscal crisis in the future. A five-year forecast is required under Section 118.27(A)(3)(d) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a nonadverse report. The financial forecast is contained in Appendix A.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

APPENDIX A

**Village of Tiro
Crawford County**

Financial Forecast

For the Years Ending December 31, 2018 Through December 31, 2022

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Village of Tiro, Crawford County

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Dave Yost • Auditor of State

Village Council
Village of Tiro
P.O. Box #228
Tiro, Ohio 44887

Based upon the requirement set forth in section 118.27(A)(3)(d) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statement of revenues, expenditures, and changes in fund balance of the General Fund of the Village of Tiro, for the five years ending December 31, 2022. This statement is presented on the budget basis of accounting used by the Village of Tiro rather than on generally accepted accounting principles. The Village of Tiro's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the Village of Tiro and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

Dave Yost
Auditor of State

July 10, 2018

Village of Tiro, Crawford County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2015, Through 2017, Actual
and Ending December 31, 2018, Through 2022, Forecasted

General Fund

	2015 Actual	2016 Actual	2017 Actual
Revenues			
Property Taxes	\$2,046	\$2,484	\$2,717
Municipal Income Taxes	15,454	14,747	21,365
Intergovernmental	9,194	10,903	10,962
Licenses and Permits	123	100	100
Miscellaneous	3,346	0	320
Total Revenues	30,163	28,234	35,464
Expenditures			
Security of Persons and Property - Street Lighting			
Contractual Services	3,382	3,297	3,240
Public Health Services - County Health Department			
Contractual Services	600	406	442
General Government			
Mayor			
Personal Services	811	832	832
Council			
Personal Services	1,587	1,871	1,701
Fiscal Officer			
Personal Services	2,118	2,178	2,078
Contractual Services	692	265	38
Supplies and Materials	82	193	285
Total Fiscal Officer	2,892	2,636	2,401
Lands and Buildings			
Contractual Services	2,005	1,986	2,802
Property Tax Collection Fees			
Contractual Services	119	214	132
Auditor of State Fees			
Contractual Services	3,912	0	3,763
Solicitor			
Personal Services	600	450	880
Contractual Services	150	0	137
Total Solicitor	750	450	1,017

2018 Forecasted	2019 Forecasted	2020 Forecasted	2021 Forecasted	2022 Forecasted
\$2,720	\$2,720	\$2,720	\$2,720	\$2,720
18,000	18,180	18,360	18,540	18,730
10,900	10,900	10,900	10,900	10,900
100	100	100	100	100
0	0	0	0	0
31,720	31,900	32,080	32,260	32,450
3,280	3,320	3,360	3,400	3,440
460	480	500	520	540
840	840	840	840	840
2,080	2,090	2,100	2,110	2,120
2,480	2,480	2,480	2,480	2,480
4,080	3,130	3,190	3,480	3,320
300	310	320	330	340
6,860	5,920	5,990	6,290	6,140
2,560	2,650	2,740	2,830	2,930
260	140	260	140	260
0	4,140	0	4,560	0
1,040	1,040	1,040	1,040	1,040
200	210	230	250	270
1,240	1,250	1,270	1,290	1,310

(continued)

Village of Tiro, Crawford County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2015, Through 2017, Actual
and Ending December 31, 2018, Through 2022, Forecasted
(continued)

General Fund

	2015 Actual	2016 Actual	2017 Actual
Expenditures (continued)			
Income Tax			
Contractual Services	\$705	\$1,051	\$1,631
Total General Government	12,781	9,040	14,279
Debt Service			
Principal Retirement	6,117	6,117	6,117
Total Expenditures	22,880	18,860	24,078
Changes in Fund Balance	7,283	9,374	11,386
Fund Balance (Deficit) Beginning of Year	(11,786)	(4,503)	4,871
Fund Balance (Deficit) End of Year	(\$4,503)	\$4,871	\$16,257

2018 Forecasted	2019 Forecasted	2020 Forecasted	2021 Forecasted	2022 Forecasted
\$1,650	\$1,670	\$1,690	\$1,710	\$1,730
15,490	18,700	14,890	19,770	15,330
6,120	6,120	6,120	6,120	6,120
25,350	28,620	24,870	29,810	25,430
6,370	3,280	7,210	2,450	7,020
16,257	22,627	25,907	33,117	35,567
<u>\$22,627</u>	<u>\$25,907</u>	<u>\$33,117</u>	<u>\$35,567</u>	<u>\$42,587</u>

Village of Tiro, Crawford County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2018, Through 2022

Note 1 - The Village

The Village of Tiro (the Village) is located in north central Ohio in Crawford County. The Village is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Operating as a statutory village, Tiro must comply with all State laws regulating village government. The decision making process is directed by an elected Village Council and Mayor.

The Village Council is the legislative authority of the Village and consists of six members who are elected at large and serve terms of four years. The Village Council elects a President Pro Tempore to preside over Village Council meetings in the Mayor's absence. The Village Council has the authority to prescribe, by ordinance, the manner in which any power of the Village shall be exercised.

The Mayor is the chief executive officer of the Village and serves a term of four years. The Mayor supervises the administration of the Village and is the President of Village Council. The Mayor makes recommendations to Village Council and has voting rights only in the case of a tie.

Because the Village has chosen to exercise section 733.262 of the Revised Code, the Mayor, with Village Council approval, appoints a Fiscal Officer who also serves as Clerk for the Village Council. The Fiscal Officer attends all Village Council meetings and keeps a record of all proceedings, rules, bylaws, and legislation. In addition, the Fiscal Officer keeps accurate statements of all monies received and expended by the Village, keeps records of all property owned by the Village, and of all taxes and assessments. The Fiscal Officer performs the accounting procedures for the Village necessary to comply with the administrative rules adopted by the Auditor of State.

Village Council contracts with an attorney to handle any legal matters for the Village. The Village Solicitor is the chief legal advisor of the Village.

Services provided by the Village include street maintenance and repair, maintenance of state highways within the Village, and street lighting.

On August 30, 2012, the Village was declared to be in a state of fiscal emergency by the Auditor of State in accordance with Revised Code Section 118.03. The Village of Tiro has a population of less than one thousand as of the most recent federal decennial census; therefore, in accordance with Revised Code Section 118.05(L), the Auditor of State serves as financial supervisor of the Village and has all of the powers and responsibilities of a financial planning and supervision commission. The Village has 120 days after the first meeting with the financial supervisor to approve a financial recovery plan. Once the plan is adopted, the Village's discretion is limited in that all financial activity of the Village must be in accordance with the plan.

Note 2 - Nature of Presentation

This financial forecast presents, to the best of the Village's knowledge and belief, the expected revenues, expenditures, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Village's judgment, as of July 10, 2018, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the Village. For the Village of Tiro, this consists of the General Fund.

Village of Tiro, Crawford County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2018, through 2022

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. Fund Accounting

The Village maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The General Fund is the operating fund of the Village and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Estimated Resources - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the Village which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Village of Tiro, Crawford County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2018, through 2022

Note 3 - Summary of Significant Accounting Policies (continued)

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriations for the full year are not ready for approval by Village Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

Note 4 - General Fund Revenue Assumptions

A. Property Taxes

Property tax revenues consist of real property and public utility real and personal property. The Village may request advances from the Crawford County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account "intergovernmental revenue".

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2012 for taxes collected in 2013, and the triennial update took place in 2015 for taxes collected in 2016 with the next reappraisal scheduled for 2018.

Village of Tiro, Crawford County
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2018, through 2022

Note 4 - General Fund Revenue Assumptions (continued)

The Village's assessed values upon which property tax receipts were based for the last four years are as follows:

Class of Property	Collection Year			
	2014	2015	2016	2017
Real Property				
Residential and Agriculture	\$1,385,740	\$1,371,890	\$1,421,220	\$1,420,990
Commercial and Industrial	85,560	83,780	83,780	83,780
Public Utility Property				
Personal	130,280	134,230	144,400	144,100
Total Assessed Value	<u>\$1,601,580</u>	<u>\$1,589,900</u>	<u>\$1,649,400</u>	<u>\$1,648,870</u>

Property tax revenues are generated from the inside millage and receipted into the General Fund.

The levies being collected by fund, the year approved, and the full tax rate are as follows:

Levy Type	Fund	Original Year Approved	Latest Year Renewed	First Year of Collection	Last Year of Collection	Total Rate (Per \$1,000 of Assessed Valuation)
Inside Millage	General	n/a	n/a	n/a	n/a	\$1.90

Public utility real taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes.

Real Property - No change in real property taxes is expected over the forecasted period as there is no growth anticipated in the Village.

B. Municipal Income Taxes

The Village levies a municipal income tax of one percent on all income earned within the Village as well as on income of residents earned outside the Village. The Village does not allow for a credit for income taxes paid to another municipality. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a final return annually.

All income tax revenue is credited to the General Fund and used to pay the cost of administering the tax and for general governmental operations. The Village enacted the income tax in July 2013. For 2017, actual tax collection was higher due to delinquent tax collections for non-filers and non-payers from prior years. The amount forecasted for 2018 was determined through consultation with Regional Income Tax Agency (RITA). The one percent increase in tax revenue forecasted for 2019 through 2022 is based on moderate increases in individual and business earnings. Due to geographical limitations, no growth is expected in the Village.

Village of Tiro, Crawford County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2018, through 2022

Note 4 - General Fund Revenue Assumptions (continued)

C. Intergovernmental Revenues

Intergovernmental revenues include local government monies and property tax allocations for rollback and homestead. The local government funds are distributed monthly by the State to the Village and by the County Auditor to the Village. The property tax allocations for rollback and homestead are received from the State and are based on information provided by the County Auditor.

State law grants tax relief in the form of a 10 percent reduction in residential real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the Village for the loss of real property taxes caused by the homestead and rollback tax relief programs. Homestead and rollback receipts have been forecasted to be consistent with the forecasted property tax revenues. There is no change expected in the amount of local government monies received from the State.

D. Licenses and Permits

Licenses and permits receipts represent payment made by a waste removal company to be permitted to provide garbage services to residents of the Village. The amount collected is expected to remain consistent throughout the forecast period.

Note 5 - General Fund Expenditure Assumptions

A. Personal Services

Personal services include the salaries paid to the elected Mayor and Village Council, the Fiscal Officer, and the Solicitor. The Village has no other employees. Salaries are paid monthly for the Mayor, Fiscal Officer, and Solicitor. Village Council is paid quarterly. Personal services also include all salary related costs such as pension contributions, Medicare, and workers' compensation.

The Village Council consists of six members with an annual salary of \$300. Village Council is paid from the General Fund.

The Mayor's annual salary is \$720 and is paid from the General Fund.

The Fiscal Officer's annual salary is \$1,800 and is paid from the General Fund.

The Solicitor's annual salary is \$900 and is paid from the General Fund.

No increase in salaries is expected throughout the forecast period; however, forecasted salaries are slightly higher for the Village Council than the actual amount paid in 2017. Not all Village Council positions were filled for the entire year in prior years and the forecasted amount assumes that all council positions will be filled for the entire year.

Benefits include employer contributions to the State pension system, workers' compensation, and Medicare. The Village does not provide any other benefits.

Village of Tiro, Crawford County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2018, through 2022

Note 5 - General Fund Expenditure Assumptions (continued)

The Mayor, Fiscal Officer, and Solicitor participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. OPERS benefits are established by Chapter 145 of the Ohio Revised Code. Members are required to contribute 10 percent of their annual salary and the Village is required to contribute 14 percent of their annual salary. All council members pay into Social Security.

All elected and appointed officials are required to pay into Medicare. The Medicare contribution is 1.45 percent of their annual salary.

Workers' compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. A slight increase is expected annually.

B. Contractual Services

Contractual services include utility charges, postage, advertising, auditor and treasurer fees, accounting and auditing services, training, and other charges.

Utility costs (street lighting) for 2018 are based on a one percent increase from the 2017 actual amount with the same annual increase assumed throughout the forecast period.

Contractual services for the Fiscal Officer include postage, advertising, accounting, training fees, the Fiscal Officer's insurance bond, and UAN costs. The increase in contractual services cost throughout the forecast period represents a retainer contract with the Auditor of State's Office for training and assistance, annual required training seminars, the renewal of the Fiscal Officer's bond in 2018 and 2021, and the annual UAN maintenance charge which the Village was not required to pay while in fiscal emergency.

Contractual services for property tax collection fees are expected to increase in 2018, 2020, and 2022 to pay for election costs.

Contractual services in Auditor of State fees fluctuate over the forecast period due to the Village being audited every other year.

The Village has contracted with RITA for tax collection services. Income tax collection and administration fees with RITA are based on a percentage of income tax collections.

C. Supplies and Materials

Supplies and materials expenditures include office supplies used by the fiscal officer. Supplies and materials are anticipated to increase approximately 3 percent per year.

Note 6 - Other Funds

The Village has several other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

Village of Tiro, Crawford County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2018, through 2022

Note 7 - Pending Litigation

The Village currently has no pending litigation.



Dave Yost • Auditor of State

VILLAGE OF TIRO

CRAWFORD 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
AUGUST 16, 2018