



Mary Taylor, CPA
Auditor of State

VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2008.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2007.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings	23

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Mary Taylor, CPA

Auditor of State

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

To Village Council:

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 30, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To Village Council:

We have audited the accompanying financial statements of the Village of Tiltonsville, Jefferson County, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio Villages. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Tiltonsville, Jefferson County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

July 30, 2009

VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Local Taxes	\$71,826	\$94,823		\$166,649
Intergovernmental	55,041	67,416		122,457
Fines, Licenses and Permits	20,584			20,584
Earnings on Investments	11,993			11,993
Miscellaneous	9,957			9,957
Total Cash Receipts	169,401	162,239		331,640
Cash Disbursements:				
Current:				
Security of Persons and Property	116,096	46,085		162,181
Public Health Services	2,263			2,263
Transportation		41,973		41,973
General Government	75,905	1,848		77,753
Debt Service:				
Redemption of Principal		29,701		29,701
Interest and Fiscal Charges		12,242		12,242
Total Cash Disbursements	194,264	131,849		326,113
Total Receipts Over/(Under) Disbursements	(24,863)	30,390		5,527
Other Financing Receipts / (Disbursements):				
Sale of Fixed Assets	520			520
Total Other Financing Receipts / (Disbursements)	520			520
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(24,343)	30,390		6,047
Fund Cash Balances, January 1	87,210	66,033	\$557	153,800
Fund Cash Balances, December 31	\$62,867	\$96,423	\$557	\$159,847

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

VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$538,382		\$538,382
Total Operating Cash Receipts	538,382		538,382
Operating Cash Disbursements:			
Personal Services	125,487		125,487
Employee Fringe Benefits	46,433		46,433
Contractual Services	139,689		139,689
Supplies and Materials	195,410		195,410
Claims			0
Other	4,240		4,240
Total Operating Cash Disbursements	511,259		511,259
Operating Income/(Loss)	27,123		27,123
Non-Operating Cash Receipts:			
Property and Other Local Taxes		\$20,728	20,728
Intergovernmental		3,622	3,622
Miscellaneous Receipts	237		237
Total Non-Operating Cash Receipts	237	24,350	24,587
Non-Operating Cash Disbursements:			
Capital Outlay	187		187
Redemption of Principal	29,629		29,629
Interest and Other Fiscal Charges	23,798		23,798
Other Non-Operating Cash Disbursements		24,350	24,350
Total Non-Operating Cash Disbursements	53,614	24,350	77,964
Net Receipts Over/(Under) Disbursements	(26,254)		(26,254)
Fund Cash Balances, January 1	478,730	99	478,829
Fund Cash Balances, December 31	\$452,476	\$99	\$452,575

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

VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$78,847	\$104,938			\$183,785
Special Assessment		6,138			6,138
Intergovernmental	45,880	52,620			98,500
Fines, Licenses and Permits	10,311				10,311
Earnings on Investments	25,903				25,903
Miscellaneous	8,224				8,224
Total Cash Receipts	169,165	163,696			332,861
Cash Disbursements:					
Current:					
Security of Persons and Property	96,581	54,335			150,916
Public Health Services	2,100				2,100
Transportation		55,779			55,779
General Government	55,744	1,902			57,646
Debt Service:					
Redemption of Principal		29,385			29,385
Interest and Fiscal Charges		13,543			13,543
Capital Outlay				\$11,088	11,088
Total Cash Disbursements	154,425	154,944		11,088	320,457
Total Receipts Over/(Under) Disbursements	14,740	8,752		(11,088)	12,404
Other Financing Receipts / (Disbursements):					
Sale of Notes				11,088	11,088
Total Other Financing Receipts / (Disbursements)				\$11,088	11,088
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	14,740	8,752			23,492
Fund Cash Balances, January 1	72,470	57,281	\$557		130,308
Fund Cash Balances, December 31	\$87,210	\$66,033	\$557		\$153,800

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

VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$589,827		\$589,827
Total Operating Cash Receipts	<u>589,827</u>		<u>589,827</u>
Operating Cash Disbursements:			
Personal Services	86,841		86,841
Employee Fringe Benefits	39,791		39,791
Contractual Services	140,961		140,961
Supplies and Materials	229,007		229,007
Other	4,791		4,791
Total Operating Cash Disbursements	<u>501,391</u>		<u>501,391</u>
Operating Income/(Loss)	<u>88,436</u>		<u>88,436</u>
Non-Operating Cash Receipts:			
Intergovernmental		\$22,325	22,325
Special Assessments		2,552	2,552
Miscellaneous Receipts	5,749		5,749
Total Non-Operating Cash Receipts	<u>5,749</u>	<u>24,877</u>	<u>30,626</u>
Non-Operating Cash Disbursements:			
Capital Outlay	4,214		4,214
Redemption of Principal	10,425		10,425
Interest and Other Fiscal Charges	11,836		11,836
Other Financing Uses		24,877	24,877
Total Non-Operating Cash Disbursements	<u>26,475</u>	<u>24,877</u>	<u>51,352</u>
Net Receipts Over/(Under) Disbursements	67,710		67,710
Fund Cash Balances, January 1	<u>411,020</u>	<u>99</u>	<u>411,119</u>
Fund Cash Balances, December 31	<u>\$478,730</u>	<u>\$99</u>	<u>\$478,829</u>

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, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Tiltonsville, Jefferson County, (the Village) as a body corporate and politic. A publicly-elected six member Council directs the Village. The Village provides water, sewer and sanitation utilities, and police services. The Village contracts with the Tiltonsville Volunteer Fire Department to provide fire services.

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

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following Capital Project Fund:

Ohio Public Works Fund – This fund receives proceeds from the Ohio Public Works commission. The proceeds are being for a water main replacement.

4. 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.

5. Fiduciary Funds

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other Villages. The Village disburses these funds as directed by the individual, organization or other Village. The Village's agency fund accounts for levy monies received on behalf of the East Ohio Regional Transit Authority (EORTA) for bus service within the village.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

E. 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.

F. 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 CASH AND INVESTMENTS

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

	2008	2007
Demand deposits	\$149,809	\$181,568
STAR Ohio	<u>462,613</u>	<u>451,061</u>
Total deposits and Investments	<u>\$612,422</u>	<u>\$632,629</u>

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

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$161,953	\$169,921	\$7,968
Special Revenue	159,201	162,238	3,037
Enterprise	521,250	538,619	17,369
Total	\$842,404	\$870,778	\$28,374

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$210,376	\$194,264	\$16,112
Special Revenue	202,793	131,849	70,944
Enterprise	799,700	564,874	234,826
Total	\$1,212,869	\$890,987	\$321,882

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$164,173	\$169,165	\$4,992
Special Revenue	153,068	163,696	10,628
Capital Projects	0	11,088	11,088
Enterprise	512,055	595,576	83,521
Total	\$829,296	\$939,525	\$110,229

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$189,800	\$154,425	\$35,375
Special Revenue	204,922	159,945	44,977
Capital Projects	0	11,088	(11,088)
Enterprise	764,875	527,866	237,009
Total	\$1,159,597	\$853,324	\$306,273

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$370,691	7.00%
General Obligation Notes	\$168,718	5.55%
Ohio Public Works Loan	\$326,762	0%
Total	<u>\$866,171</u>	

The outstanding general obligation bonds consist of various sewer system revenue bonds which were issued to upgrade the sewer system. The bonds are collateralized by future sewer receipts.

The Village issued a general obligation note to finance the purchase of a new fire truck and equipment for the volunteer fire department. The Village's taxing authority collateralizes the note.

The Ohio Public Works Commission (OPWC) note was issued for road improvements and water line replacement. The Village's taxing authority collateralized the bonds.

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

Year Ending December 31:	General Obligation Bond	General Obligation Fire Truck Note	Ohio Public Works
2009	\$53,427	\$40,816	\$17,993
2010	\$53,427	\$40,816	\$17,993
2011	\$53,427	\$40,816	\$17,993
2012	\$53,427	\$40,816	\$17,993
2013	\$53,427	\$40,816	\$17,993
2014-2018	\$241,831		\$89,966
2019-2023			\$87,744
2024-2027			\$59,087
Total	<u>\$508,966</u>	<u>\$204,080</u>	<u>\$326,762</u>

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. RETIREMENT SYSTEMS

The Village's full time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of the wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages.

For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

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. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. RISK MANAGEMENT - (Continued)

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$19,745. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)

7. RISK MANAGEMENT - (Continued)

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>	
2006	\$16,497
2007	\$16,935
2008	\$17,170

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.



Mary Taylor, CPA

Auditor of State

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

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

To Village Council:

We have audited the financial statements of the Village of Tiltonsville, Jefferson County (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 30, 2009 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-002 and 2008-003 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination for significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding 2008-003 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated July 30, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 30, 2009.

We intend this report solely for the information and use of management and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 30, 2009

VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Noncompliance Citation

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

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

1. **Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Commissioners may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

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

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Village did not certify the amount against the applicable appropriation accounts for 10% of tested expenditures in both 2007 and 2008. The Village did not utilize the certification exceptions described above.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used properly, prior certification is not only required by statute but it is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the village fiscal officer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

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

FINDING NUMBER 2008-002

Significant Deficiency

Accurate monthly bank reconciliations were not prepared, and the Village was out of balance for the months January 2007 through December 2008. Adjustments were made to the monthly reconciliations that could not be substantiated. Monthly unexplained variances ranged from \$300 to \$3300 during the audit period. The Clerk/Treasurer has agreed to and posted an adjustment of \$816 to increase the cash balance of the General Fund, as the bank balance was higher than the book balance. This adjustment is reflected in the accompanying financial statements.

Failure to maintain accurate monthly reconciliations increases the risk of discrepancies and errors going undetected. This also prohibits the Village from obtaining accurate cash balances at a given date.

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

Improving the cash reconciliation procedures will strengthen control over the Village's assets, reduce the risk of errors going undetected and support the integrity of the Village's financial records.

FINDING NUMBER 2008-003

Significant Deficiency/Material Weakness

The Village did not correctly code and classify all receipts and disbursements in 2007 and 2008, resulting in adjustments to the financial statements. The Village Clerk/Treasurer has agreed to and posted the adjustments and reclassifications. The adjustments have been posted to the Village's accounting records and corrected amounts are reflected in the accompanying financial statements.

Fund Name	Account Type	Amount	Description
2007			
Adjustments			
EORTA	Local Taxes	\$22,327	To correctly account for local taxes that had been posted to the Debt Service Fund.
Ohio Public Works	Proceeds of Notes Capital Outlay	\$11,088	To account OPWC monies paid on behalf of Village for capital improvements
General	General Government Expenditures	\$500	To reduce expenditures for a voided check
Reclassification			
Water	Supplies and Materials	\$48,048	To account for expenditures that had been posted to redemption of principal
2008			
Adjustments			
State Highway	Local Taxes	\$610	To reduce local taxes which had been posted twice
General	General Government Expenditures	\$825	To account for bank fees that had not been posted
Reclassification			
Permissive Motor Vehicle	Intergovernmental Revenue	\$12,786	To account for intergovernmental revenue that had been posted as local taxes

Failure to consistently follow a uniform chart of accounts increases the possibility the Village will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Village Clerk/Treasurer should refer to Auditor of State Bulletin 2000-008, which provides guidance on accounting for on-behalf-of programs when a local government or its residents are beneficiaries of the program. The Village Clerk/Treasurer should maintain the accounting system to identify, assemble, analyze, classify, record and report all transactions and to maintain accountability. The Village should adopt procedures for the review of posted transactions and subsequent reporting on the financial statements.

Officials' Response:

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

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**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC 5705.41(D), failure to properly certify expenditures	No	Reissued as Finding 2008-001
2006-002	ORC 5705.41(B), expenditures exceeded appropriations	Yes	
2006-003	Failure to properly post receipts and disbursements	No	Reissued as Finding 2008-003



Mary Taylor, CPA
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
OCTOBER 19, 2009**