



**Auditor of State  
Betty Montgomery**



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, 2004 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004 .....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003 .....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003 .....	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.....	21

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

Village of Tiltonsville  
Jefferson County  
P.O. Box 127  
Tiltonsville, Ohio 43963-1027

To the 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 a February 2, 2005 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 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 black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

October 28, 2005

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Tiltonsville  
Jefferson County  
P.O. Box 127  
Tiltonsville, Ohio 43963-1027

To the Village Council:

We have audited the accompanying financial statements of Village of Tiltonsville, Jefferson County, (the Village) as of and for the years ended December 31, 2004 and 2003. 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 governments. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Tiltonsville, Jefferson County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 October 28, 2005, 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.



**Betty Montgomery**  
Auditor of State

October 28, 2005



**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, 2004**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$66,656	\$58,529		\$125,185
Special Assessments			\$2,313	2,313
Intergovernmental Receipts	44,295	75,457		119,752
Fines, Licenses, and Permits	11,085			11,085
Earnings on Investments	8,376			8,376
Miscellaneous	12,712			12,712
<b>Total Cash Receipts</b>	<b>143,124</b>	<b>133,986</b>	<b>2,313</b>	<b>279,423</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	108,493	41,920		150,413
Public Health Services	2,025			2,025
Transportation		43,891		43,891
General Government	49,771	1,134		50,905
Debt Service:				
Principal Payments			2,000	2,000
Interest Payments		2,111	213	2,324
Capital Outlay		23,698		23,698
<b>Total Cash Disbursements</b>	<b>160,289</b>	<b>112,754</b>	<b>2,213</b>	<b>275,256</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(17,165)</b>	<b>21,232</b>	<b>100</b>	<b>4,167</b>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	20,000	186		20,186
Transfers-Out	(186)			(186)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>19,814</b>	<b>186</b>	<b>0</b>	<b>20,000</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>2,649</b>	<b>21,418</b>	<b>100</b>	<b>24,167</b>
<b>Fund Cash Balances, January 1</b>	<b>30,691</b>	<b>21,104</b>	<b>(1,080)</b>	<b>50,715</b>
<b>Fund Cash Balances, December 31</b>	<b><u>\$33,340</u></b>	<b><u>\$42,522</u></b>	<b><u>(\$980)</u></b>	<b><u>\$74,882</u></b>

*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 SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$519,769		\$519,769
Total Operating Cash Receipts	519,769		519,769
<b>Operating Cash Disbursements:</b>			
Personal Services	64,336		64,336
Fringe Benefits	25,874		25,874
Contractual Services	106,283		106,283
Supplies and Materials	184,251		184,251
Other	2,840		2,840
Capital Outlay	9,278		9,278
Total Operating Cash Disbursements	392,862		392,862
Operating Income/(Loss)	126,907		126,907
<b>Non-Operating Cash Receipts:</b>			
Property Tax and Other Local Taxes		\$11,860	11,860
Intergovernmental Receipts		1,746	1,746
Total Non-Operating Cash Receipts		13,606	13,606
<b>Non-Operating Cash Disbursements:</b>			
Debt Service:			
Principal Payments	19,936		19,936
Interest Payments	33,491		33,491
Other Non-Operating Cash Disbursements		13,606	13,606
Total Non-Operating Cash Disbursements	53,427	13,606	67,033
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	73,480		73,480
Transfers-Out	(20,000)		(20,000)
Net Receipts Over/(Under) Disbursements	53,480		53,480
Fund Cash Balances, January 1	785,416	87	785,503
<b>Fund Cash Balances, December 31</b>	<b><u>\$838,896</u></b>	<b><u>\$87</u></b>	<b><u>\$838,983</u></b>

*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, 2003**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$62,905	\$54,878		\$117,783
Special Assessments			\$2,531	2,531
Intergovernmental Receipts	46,013	353,480		399,493
Fines, Licenses, and Permits	8,949			8,949
Earnings on Investments	7,350			7,350
Miscellaneous	11,002	130		11,132
	<u>136,219</u>	<u>408,488</u>	<u>2,531</u>	<u>547,238</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	86,111	45,124		131,235
Public Health Services	2,085			2,085
Transportation		47,120		47,120
General Government	72,179	1,003		73,182
Debt Service:				
Principal Payments			2,000	2,000
Interest Payments			531	531
Capital Outlay		331,345		331,345
	<u>160,375</u>	<u>424,592</u>	<u>2,531</u>	<u>587,498</u>
Total Cash Disbursements	<u>160,375</u>	<u>424,592</u>	<u>2,531</u>	<u>587,498</u>
Total Receipts Over/(Under) Disbursements	<u>(24,156)</u>	<u>(16,104)</u>		<u>(40,260)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Sale of Bonds or Notes		20,000		20,000
Transfers-In	20,000			20,000
	<u>20,000</u>	<u>20,000</u>		<u>40,000</u>
Total Other Financing Receipts/(Disbursements)	<u>20,000</u>	<u>20,000</u>		<u>40,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,156)	3,896		(260)
Fund Cash Balances, January 1	<u>34,847</u>	<u>17,208</u>	<u>(1,080)</u>	<u>50,975</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$30,691</u></b>	<b><u>\$21,104</u></b>	<b><u>(\$1,080)</u></b>	<b><u>\$50,715</u></b>

*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 SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$476,038		\$476,038
Miscellaneous	130		130
<b>Total Operating Cash Receipts</b>	<u>476,168</u>		<u>476,168</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	53,348		53,348
Fringe Benefits	16,785		16,785
Contractual Services	112,697		112,697
Supplies and Materials	198,494		198,494
Other	2,750		2,750
Capital Outlay	216		216
<b>Total Operating Cash Disbursements</b>	<u>384,290</u>		<u>384,290</u>
Operating Income/(Loss)	<u>91,878</u>		<u>91,878</u>
<b>Non-Operating Cash Receipts:</b>			
Property Tax and Other Local Taxes		11,650	11,650
Intergovernmental Receipts		1,853	1,853
Earnings on Investments	5,835		5,835
<b>Total Non-Operating Cash Receipts</b>	<u>5,835</u>	<u>13,503</u>	<u>19,338</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service:			
Principal Payments	18,684		18,684
Interest Payments	34,743		34,743
Other Non-Operating Cash Disbursements		13,503	13,503
<b>Total Non-Operating Cash Disbursements</b>	<u>53,427</u>	<u>13,503</u>	<u>66,930</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	44,286		44,286
Transfers-Out	(20,000)		(20,000)
Net Receipts Over/(Under) Disbursements	24,286		24,286
Fund Cash Balances, January 1	761,131	87	761,218
<b>Fund Cash Balances, December 31</b>	<u><u>\$785,417</u></u>	<u><u>\$87</u></u>	<u><u>\$785,504</u></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, 2004 AND 2003**

**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 or Tiltonsville, Jefferson County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water, sewer, and sanitation utilities, and police services. The Village contracts with the Tiltonsville Volunteer Fire Company to provide fire protection services.

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

**B. Basis of Accounting**

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports 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 fund reports.

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. 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.

**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Permissive Motor Vehicle License Tax Fund* -This fund receives motor vehicle tax money for constructing, maintaining, and repairing Village streets.

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

**3. Debt Service Fund**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service funds:

*Medill Lift Station Fund* - The Medill lift station is a water/sewer improvement project, which was financed with special assessments collected by the County Auditor.

**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 (Agency Funds)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund.

*East Ohio Regional Transit Agency (EORTA) Fund*- Levy monies collected and distributed to EORTA by the County Auditor for bus services provided to the Village.

**E. Budgetary Process**

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

**1. Appropriations**

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

**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**F. 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.

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

	2004	2003
Demand deposits	<u>\$318,719</u>	<u>\$230,671</u>
STAR Ohio	<u>595,148</u>	<u>605,549</u>
Total deposits and investments	<u><u>\$913,867</u></u>	<u><u>\$836,220</u></u>

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

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

**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$161,607	\$163,124	\$1,517
Special Revenue	113,228	134,172	20,944
Debt Service	2,500	2,313	(187)
Enterprise	475,000	519,769	44,769
Total	\$752,335	\$819,378	\$67,043

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$141,250	\$160,475	(\$19,225)
Special Revenue	129,247	112,754	16,493
Debt Service	2,500	2,213	287
Enterprise	755,100	466,289	288,811
Total	\$1,028,097	\$741,731	\$286,366

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$173,056	\$156,219	(\$16,837)
Special Revenue	113,056	428,488	315,432
Debt Service	2,531	2,531	0
Enterprise	480,300	482,003	1,703
Total	\$768,943	\$1,069,241	\$300,298

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$160,325	\$160,375	(\$50)
Special Revenue	128,629	424,592	(295,963)
Debt Service	2,531	2,531	0
Enterprise	929,850	457,717	472,133
Total	\$1,221,335	\$1,045,215	\$176,120

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund for the year ended December 31, 2004 and in the State Highway Fund for the year ended December 31, 2003. Also contrary to Ohio law, appropriations exceeded estimated resources in the Street, Construction, Maintenance, and Repair Fund and the Medill Lift Station Fund for the year ended December 31, 2003.



**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Water Treatment Plant Bond	\$466,286	7.00%
OPWC - Williams Street	18,889	0.00%
Total	\$485,175	

Outstanding mortgage revenue 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 Ohio Public Works Commission (OPWC) note was issued for road improvements to Williams Street and was issued for twenty years. The Village's taxing authority collateralizes the Ohio Public Works Commission note.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OPWC	Water Treatment Plant Bond
2005	\$1,111	\$53,427
2006	1,111	53,427
2007	1,111	53,427
2008	1,111	53,427
2009	1,111	53,427
2010-2014	5,556	267,135
2015-2019	5,556	188,404
2020-2021	2,222	
Total	\$18,889	\$722,674

**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. 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

PEP retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 local government.

**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

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.

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	<u>(16,989,918)</u>	<u>(12,872,985)</u>
Retained earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	<u>(544,771)</u>	<u>(792,061)</u>
Retained earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>

**Health Insurance**

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**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 43963-1027

To the Village Council:

We have audited the financial statements of Village of Tiltonsville, Jefferson County (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 28, 2005, wherein we noted that the Village prepared its financial statements using accounting practices the Auditor of State established 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated October 28, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Village's management dated October 28, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Village Council. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

October 28, 2005

**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

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

**FINDING NUMBER 2004-001**

**Non Compliance Citation**

**Ohio Revised Code Section 5705.39** prohibits a political subdivision from making a fund appropriation in excess of the total estimated resources available for expenditure from that fund as certified by the budget commission on the Amended Official Certificates of Estimated Resources.

During 2003, appropriations exceeded estimated resources in the following funds:

Fund	Estimated Available Resources	Appropriations	Variance
Street Construction, Maintenance, and Repair Fund	\$16,423	\$44,825	\$(28,402)
Medill Lift Station	\$1,451	\$2,531	\$(1,080)

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances. Actual receipts plus fund balances were not sufficient to permit the Village to obtain an amended certificate of estimated resources supporting the amounts of the abovementioned appropriations.

The Village should review certified resources prior to adopting appropriations. If certified amounts are not sufficient to support desired appropriations, an increased amended certificate should be obtained, or appropriations should be limited to amounts available.

**FINDING NUMBER 2004-002**

**Non Compliance Citation**

**Ohio Revised Code Section 5705.41(B)** prohibits a subdivision from making expenditure unless it has been properly appropriated.

Expenditures exceeded appropriations in the following fund for 2004:

Fund	Appropriations	Expenditures	Variance
General Fund	\$141,250	\$160,475	\$(19,225)

Expenditures exceeded appropriations in the following fund for 2003:

Fund	Appropriations	Expenditures	Variance
State Highway Fund	0	\$3,310	\$(3,310)

The failure to limit expenditures plus encumbrances to the amount appropriated by the Village Council could result in overspending and negative cash balances. Expenditures should be limited to appropriations. If the Village determines that expenditure needs exceed the current appropriation authority and if resources are available, additional appropriations should be approved by the Village Council prior to incurring additional expenditures.

**FINDING NUMBER 2004-003**

**Reportable Condition**

**Posting Receipts and Expenditures**

All public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. The Village did not correctly code and classify receipts and expenditures. As a result, errors occurred including the misclassification of revenue totaling \$366,275 in 2003 and \$58,876 in 2004 and misclassification of expenditures totaling \$386,626 in 2003 and \$78,872 in 2004. In addition, numerous immaterial misclassification errors were identified but not adjusted. The Clerk/Treasurer has agreed to and posted the material reclassifications to the ledgers. These corrected amounts are reflected in the accompanying financial statements.

Failure to adopt and consistently follow a uniform chart of accounts increases the possibility that 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 Clerk/Treasurer should review the chart of accounts suggested in Ohio Administrative Code. All transactions should be properly coded and classified according to the adopted chart of accounts to help ensure financial activity of the Village is accurately recorded and reported.



**VILLAGE OF TILTONSVILLE  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2002-001	Revised Code Section 5075.39 – Appropriations exceeded Estimated Resources	No	Reported as 2004-001





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
DECEMBER 22, 2005**