



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, 2006.....	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, 2006.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	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, 2005.....	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>	19
Schedule of Findings.....	21
Schedule of Prior Audit Findings.....	24

THIS PAGE INTENTIONALLY LEFT BLANK.



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 Village 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

August 30, 2007

THIS PAGE INTENTIONALLY LEFT BLANK.



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 Village of Tiltonsville, Jefferson County, (the Village) as of and for the years ended December 31, 2006 and 2005. 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.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949

www.auditor.state.oh.us

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, 2006 and 2005 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, 2006 and 2005, 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 Village of Tiltonsville, Jefferson County, as of December 31, 2006 and 2005, 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 August 30, 2007, 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

August 30, 2007

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, 2006**

	Governmental Fund Types			Totals	
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
Cash Receipts:					
Property and Local Taxes	\$74,260	\$113,400			\$187,660
Intergovernmental	68,395	55,931		575,875	700,201
Fines, Licenses and Permits	12,844				12,844
Earnings on Investments	24,234				24,234
Miscellaneous	13,159	180			13,339
Total Cash Receipts	192,892	169,511		575,875	938,278
Cash Disbursements:					
Current:					
Security of Persons & Property	92,963	50,973			143,936
Public Health Services	1,984				1,984
Leisure Time Activities	1				1
Transportation		75,877			75,877
General Government	126,540	6,396			132,936
Capital Outlay				575,875	575,875
Debt Service:					
Principal Payment		26,023			26,023
Interest and Fiscal Charges		15,113			15,113
Total Cash Disbursements	221,488	174,382		575,875	971,745
Total Receipts Over/(Under) Disbursements	(28,596)	(4,871)			(33,467)
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets		253			253
Transfers-In	35,000				35,000
Total Other Financing Receipts/(Disbursements)	35,000	253			35,253
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements					
	6,404	(4,618)			1,786
Fund Cash Balance, January 1	66,065	61,899	\$557		128,521
Fund Cash Balance, December 31	\$72,469	\$57,281	\$557		\$130,307

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, 2006**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$517,306		\$517,306
Total Operating Cash Receipts	517,306		517,306
Operating Cash Disbursements:			
Current:			
Personal Services	71,351		71,351
Employee Fringe Benefits	28,199		28,199
Contractual Services	125,803		125,803
Supplies and Materials	378,045		378,045
Other	3,200		3,200
Total Operating Cash Disbursements	606,598		606,598
Operating Income/(Loss)	(89,292)		(89,292)
Non-Operating Receipts/Disbursements			
Property and Other Local Taxes		\$22,669	22,669
Intergovernmental		2,856	2,856
Miscellaneous Receipts	184		184
Capital Outlay	(57,132)		(57,132)
Redemption of Principal	(23,028)		(23,028)
Interest and Other Fiscal Charges	(30,398)		(30,398)
Other Financing Uses		(25,525)	(25,525)
Total Non-Operating Receipts/Disbursements	(110,374)		(110,374)
Income/(Loss) Before Interfund Transfers and Advances	(199,666)		(199,666)
Transfers-Out	(35,000)		(35,000)
Net Receipts Over (Under) Disbursements	(234,666)		(234,666)
Fund Cash Balance, January 1	645,593	100	645,693
Fund Cash Balance, December 31	\$410,927	\$100	\$411,027

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, 2005**

	Governmental Fund Types			Capital Projects	Totals (Memorandum Only)
	General	Special Revenue	Debt Service		
Cash Receipts:					
Property and Other Local Taxes	\$69,209	\$107,906			\$177,115
Intergovernmental	64,752	79,890		\$203,047	347,689
Special Assessments			\$1,537		1,537
Fines, Licenses and Permits	14,588				14,588
Earnings on Investments	22,695				22,695
Miscellaneous	22,050				22,050
Total Cash Receipts	193,294	187,796	1,537	203,047	585,674
Cash Disbursements:					
Current:					
Security of Persons and Property	81,575	50,771			132,346
Public Health Services	2,038				2,038
Transportation		46,166			46,166
General Government	88,956	30,763			119,719
Capital Outlay		288,994		203,047	492,041
Debt Service:					
Principle Payment		28,676			28,676
Interest and Other Fiscal Charges		12,043			12,043
Total Cash Disbursements	172,569	457,413		\$203,047	833,029
Total Receipts Over/(Under) Disbursements	20,725	(269,617)	1,537		(247,355)
Other Financing Receipts/(Disbursements):					
Sale of Notes		288,994			288,994
Sale of Fixed Assets	12,000				12,000
Total Other Financing Receipts/(Disbursements)	12,000	288,994			300,994
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	32,725	19,377	1,537		53,639
Fund Cash Balance, January 1	33,340	42,522	(980)		74,882
Fund Cash Balance, December 31	\$66,065	\$61,899	\$557		\$128,521

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, 2005**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$540,103		\$540,103
Total Operating Cash Receipts	540,103		540,103
Operating Cash Disbursements:			
Current:			
Personal Services	80,007		80,007
Employee Fringe Benefits	27,773		27,773
Contractual Services	120,046		120,046
Supplies and Materials	245,677		245,677
Other	6,819		6,819
Total Operating Cash Disbursements	480,322		480,322
Operating Income/(Loss)	59,781		59,781
Non-Operating Receipts/Disbursements			
Property and Other Local Taxes		\$11,879	11,879
Intergovernmental		1,829	1,829
Capital Outlay	(199,657)		(199,657)
Redemption of Principal	(21,476)		(21,476)
Interest and Other Fiscal Charges	(31,951)		(31,951)
Other Financing Uses		(13,695)	(13,695)
Total Non-Operating Receipts/Disbursements	(253,084)	13	(253,071)
Income/(Loss)	(193,303)	13	(193,290)
Fund Cash Balance, January 1	838,896	87	838,983
Fund Cash Balance, December 31	\$645,593	\$100	\$645,693

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, 2006 AND 2005**

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 Entities Pool of Ohio (PEP). Note 7 to the financial statements provides additional information for this entity.

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. Cash and Investments

The Villages' accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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. Debt Service Funds

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

Medill Lift Station Fund – This fund receives special assessments collected by the county auditor to finance water/sewer improvements at the lift station.

4. 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 significant 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.

5. 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.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. 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.

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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 2006 and 2005 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.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

	2006	2005
Demand deposits	\$112,422	\$302,940
Total deposits	112,422	302,940
STAR Ohio	428,912	471,274
Total investments	428,912	471,274
Total Demand Deposits & Investments	\$541,334	\$774,214

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$214,121	\$227,892	\$13,771
Special Revenue	148,138	169,764	21,626
Debt Service	0	0	0
Capital Projects	0	575,875	575,875
Enterprise	516,200	517,490	1,290
Total	\$878,459	\$1,491,021	\$612,562

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY - (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$230,941	\$221,488	\$9,453
Special Revenue	187,513	174,382	13,131
Debt Service	0	0	0
Capital Projects	0	575,875	(575,875)
Enterprise	963,750	752,156	211,594
Total	<u>\$1,382,204</u>	<u>\$1,723,901</u>	<u>(\$341,697)</u>

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$197,869	\$205,294	\$7,425
Special Revenue	179,037	476,790	297,753
Debt Service	1,537	1,537	0
Capital Projects	0	203,047	203,047
Enterprise	493,750	540,103	46,353
Total	<u>\$872,193</u>	<u>\$1,426,771</u>	<u>\$554,578</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$163,101	\$172,569	(\$9,468)
Special Revenue	143,442	457,413	(313,971)
Debt Service	0	0	0
Capital Projects	0	203,047	(203,047)
Enterprise	913,300	733,406	179,894
Total	<u>\$1,219,843</u>	<u>\$1,566,435</u>	<u>(\$346,592)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$9,468 for the year ended December 31, 2005. Expenditures exceeded appropriation authority in the Fire Levy Fund by \$29,503 in 2005, in addition, the Ohio Public Works Fund had a variance of \$203,047 in 2005 and \$575,875 in 2006, however, the variances were the result of audit adjustments.

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.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. PROPERTY TAX - (Continued)

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, 2006 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$421,782	7.00%
General Obligation Notes	\$227,872	5.55%
Ohio Public Works Loan	16,667	0.00%
Total	\$666,321	

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. The Village's taxing authority collateralized the bonds.

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

	General Obligation Bond	General Obligation FireTruck Note	Ohio Public Works
Year ending December 31:			
2007	\$53,426	\$40,816	\$1,111
2008	53,427	40,816	\$1,111
2009	53,427	40,816	\$1,111
2010	53,425	40,816	\$1,111
2011	53,427	40,816	\$1,111
2012-2016	267,135	75,632	\$5,556
2017-2021	81,551		\$5,556
Total	\$615,818	\$279,712	\$16,667

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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local Villages. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member Villages 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, including loss adjustment expenses. 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. Villages 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 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. 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, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RISK MANAGEMENT (Continued)

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 Village.

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, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	(15,875,741)	(15,994,168)
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	(863,163)	(1,068,245)
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member Villages in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$32,994. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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.

VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

7. RISK MANAGEMENT (Continued)

<u>Contributions to PEP</u>	
2004	\$14,693
2005	\$15,804
2006	\$16,497

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give 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.

8. CONTINGENT LIABILITIES

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

THIS PAGE INTENTIONALLY LEFT BLANK.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY VILLAGE 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 Village of Tiltonsville, Jefferson County (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 30, 2007 wherein we noted the Village followed accounting practices the Auditor of State prescribes 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 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 the following deficiencies described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001 through 2006-003.

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

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

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 30, 2007.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002. In a separate letter dated August 30, 2007, we reported other matters related to noncompliance we deemed immaterial.

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



Mary Taylor, CPA
Auditor of State

August 30, 2007

VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Non Compliance Citation/Significant Deficiency

Ohio Revised Code Section 5705.41(D) provides that no subdivision shall make any contract of 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 a 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 Council 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 the 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 extent beyond the current year. More than one super blanket may be outstanding at one particular time for any line item appropriation.

The Village failed to properly certify or record the amount against the applicable appropriation accounts for 12% of tested expenditures in 2005 and 28% of tested expenditures tested in 2006. The Village used blanket certificates and super blanket certificates as described above but did not utilize them correctly. The Village had more than one blanket certificate outstanding at one particular time for any one particular line item appropriation and of the super blanket purchase orders tested, 21% were used for nonrecurring purchases in 2005 and 14% were used for nonrecurring purchases in 2006.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDING NUMBER 2006-001 (Continued)

Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments received prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, the Clerk/Treasurer 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 for authorizing disbursements. The Clerk/Treasurer should sign the certification at the time the 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. If the Village chooses to utilize blanket purchase orders and super blanket purchase orders, each type of certificate should be used as specified.

FINDING NUMBER 2006-002

Non Compliance Citation/Significant Deficiency

Ohio Revised Code Section 5705.41(B) states in part that no subdivision is to expend money unless it has been appropriated.

Expenditures exceeded appropriation authority in the General Fund by \$9,467 and by \$29,503 in the Fire Levy Fund for the year ended December 31, 2005. In addition, the Ohio Public Works Fund had a variance of \$203,047 in 2005 and \$575,875 in 2006.

Auditor of State Bulletin 2000-008 states that when a government enters into and on-behalf-of-program agreement with the State government, whereby the local is the beneficiary under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year the on-behalf-of program disbursements are made. The fiscal officer should record the appropriations with the terms and conditions of the project agreement.

The variances in the Ohio Public Works Fund were the result of audit adjustments, which were made to reflect the on-behalf-of program receipts and disbursements on the accompanying financial statements in accordance with Auditor of State Bulletin 2000-008.

The Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk/Treasurer may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary. The Clerk/Treasurer should record the appropriations of all behalf-of projects with the terms and conditions of the agreement.

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDING NUMBER 2006-003

Significant Deficiency

The Clerk/Treasurer is responsible for properly posting and classifying receipts to the ledgers. The Clerk/Treasurer did not always code and classify receipts following a uniform chart of accounts. As a result errors occurred in both 2006 and 2005 including misclassifications and misposting of taxes, intergovernmental and miscellaneous revenues and debt proceeds. The Clerk/Treasurer has agreed to and posted the reclassifications to the ledgers and these corrected amounts are reflected in the accompanying financial statements.

Failure to adopt and consistently follow a uniform chart of accounts increases the possibility for errors in the financial statements. The Clerk/Treasurer should review the chart of accounts suggested in the Village Officers' Handbook. Receipts should be properly coded and classified according to the adopted chart of accounts to help ensure financial activity of the Village are correctly posted and reported.

Officials' Response

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

**VILLAGE OF TILTONSVILLE
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Revised Code Section 5705.39.	Yes	
2004-002	Ohio Revised Code Section 5705.41(B).	No	Not corrected, repeated in the current GAGAS report.
2004-003	Villages failed to correctly code and classify receipts.	No	Not corrected, repeated in the GAGAS report



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
DECEMBER 6, 2007**