



Dave Yost • Auditor of State

VILLAGE OF TONTOGANY
WOOD COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2011	6
Combined Statement of Receipts, Disbursements, and Changes in Fun Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2010	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2010	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

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Dave Yost • Auditor of State

Village of Tontogany
Wood County
18545 Main Street, P.O. Box 238
Tontogany, Ohio 43565-0238

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 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 21, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Tontogany
Wood County
18545 Main Street, P.O. Box 238
Tontogany, Ohio 43565-0238

To the Village Council:

We have audited the accompanying financial statements of the Village of Tontogany, Wood County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. 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(A) mandates 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.

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 governments 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.

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, 2011 and 2010 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, 2011 and 2010, or its changes in financial 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 as of December 31, 2011 and 2010 and the reserve for encumbrances as of December 31, 2010 of the Village of Tontogany, Wood County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2012, 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.



Dave Yost
Auditor of State

August 21, 2012

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$19,681			\$19,681
Municipal Income Tax	70,934			70,934
Intergovernmental	10,998	\$22,875	\$140,919	174,792
Special Assessments		8,528		8,528
Fines, Licenses and Permits	4,047			4,047
Earnings on Investments	440	8		448
Miscellaneous	3,681			3,681
<i>Total Cash Receipts</i>	<u>109,781</u>	<u>31,411</u>	<u>140,919</u>	<u>282,111</u>
Cash Disbursements				
Current:				
Security of Persons and Property	\$28,839	1,701		30,540
Public Health Services	182			182
Leisure Time Activities	9,440	3,638		13,078
Community Environment	1,385			1,385
Basic Utility Services	941			941
Transportation	2,836	3,103		5,939
General Government	41,646		140,919	182,565
Capital Outlay	49,295	7,371		56,666
<i>Total Cash Disbursements</i>	<u>134,564</u>	<u>15,813</u>	<u>140,919</u>	<u>291,296</u>
<i>Net Change in Fund Cash Balances</i>	(24,783)	15,598		(9,185)
<i>Fund Cash Balances, January 1</i>	<u>193,078</u>	<u>53,989</u>	<u>11,559</u>	<u>258,626</u>
Fund Cash Balances, December 31				
Restricted		69,587	11,559	81,146
Assigned	44,283			44,283
Unassigned	124,012			124,012
<i>Fund Cash Balances, December 31</i>	<u>\$168,295</u>	<u>\$69,587</u>	<u>\$11,559</u>	<u>\$249,441</u>

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

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$584,492	\$66,400	\$650,892
Operating Cash Disbursements			
Personal Services	13,215		13,215
Employee Fringe Benefits	2,228		2,228
Contractual Services	478,364	66,400	544,764
Supplies and Materials	7,785		7,785
<i>Total Operating Cash Disbursements</i>	<u>501,592</u>	<u>\$66,400</u>	<u>567,992</u>
<i>Operating Income</i>	<u>82,900</u>		<u>82,900</u>
Non-Operating Disbursements			
Capital Outlay	27,037		27,037
Principal Retirement	65,152		65,152
<i>Total Non-Operating Disbursements</i>	<u>92,189</u>		<u>92,189</u>
<i>Net Change in Fund Cash Balances</i>	(9,289)		(9,289)
<i>Fund Cash Balances, January 1</i>	<u>198,075</u>		<u>198,075</u>
<i>Fund Cash Balances, December 31</i>	<u>\$188,786</u>		<u>\$188,786</u>

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

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Local Taxes	\$22,476			\$22,476
Municipal Income Tax	63,414			63,414
Intergovernmental	17,809	\$22,752	\$189,009	229,570
Special Assessments		8,146		8,146
Fines, Licenses and Permits	3,709			3,709
Earnings on Investments	5,120	65		5,185
Miscellaneous	3,712			3,712
<i>Total Cash Receipts</i>	<u>116,240</u>	<u>30,963</u>	<u>189,009</u>	<u>336,212</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	27,105	1,946		29,051
Public Health Services	381			381
Leisure Time Activities	5,817	3,035		8,852
Community Environment	1,385			1,385
Basic Utility Service	884			884
Transportation	2,322	11,619		13,941
General Government	49,910			49,910
Capital Outlay	219,307	4,080	189,009	412,396
<i>Total Cash Disbursements</i>	<u>307,111</u>	<u>20,680</u>	<u>189,009</u>	<u>516,800</u>
<i>Total Receipts Over/(Under) Disbursements</i>	<u>(190,871)</u>	<u>10,283</u>		<u>(180,588)</u>
Other Financing Receipts / (Disbursements):				
Sale of Capital Assets	80,000			80,000
Other Financing Uses	(100)			(100)
<i>Total Other Financing Receipts / (Disbursements)</i>	<u>79,900</u>			<u>79,900</u>
<i>Net Change in Fund Cash Balances</i>	<u>(110,971)</u>	<u>10,283</u>		<u>(100,688)</u>
<i>Fund Cash Balances, January 1</i>	<u>304,049</u>	<u>43,706</u>	<u>11,559</u>	<u>359,314</u>
<i>Fund Cash Balances, December 31</i>	<u>\$193,078</u>	<u>\$53,989</u>	<u>\$11,559</u>	<u>\$258,626</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$43,603</u>		<u>\$43,604</u>	<u>\$87,207</u>

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

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	<u>\$600,373</u>	<u>\$68,207</u>	<u>\$668,580</u>
Operating Cash Disbursements:			
Personal Services	14,420		14,420
Employee Fringe Benefits	2,399		2,399
Contractual Services	614,936	68,207	683,143
Supplies and Materials	<u>3,276</u>		<u>3,276</u>
<i>Total Operating Cash Disbursements</i>	<u>635,031</u>	<u>\$68,207</u>	<u>703,238</u>
<i>Operating Loss</i>	<u>(34,658)</u>		<u>(34,658)</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	65,152		65,152
Other Non-Operating Cash Disbursements	<u>114</u>		<u>114</u>
<i>Total Non-Operating Disbursements</i>	<u>65,266</u>		<u>65,266</u>
<i>Net Change in Fund Cash Balances</i>	(99,924)		(99,924)
<i>Fund Cash Balances, January 1</i>	<u>297,999</u>		<u>297,999</u>
<i>Fund Cash Balances, December 31</i>	<u>\$198,075</u>		<u>\$198,075</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$53,210</u>		<u>\$53,210</u>

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

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 Tontogany, Wood County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and electric utilities and park operations. The Village contracts with the Wood County Sheriff's department to provide security of persons and property.

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. Deposits

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

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 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.

Permissive Motor Vehicle License Tax Fund - This fund receives license tax money that is restricted to repairing the roads.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 significant Capital Project Fund:

Three Bridges Project Fund – This fund received money from Ohio Public Works Commission to repair three bridges with in the Village.

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.

Electric Fund – This fund receives charges for services from residents to cover electric costs.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Agency Fund:

Sewer Fund - This fund collects sewer revenue for Northwestern Water and Sewer District.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For 2011, the Village has implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. GASB Statement No. 54 also clarifies the definition of governmental fund types. The implementation on GASB Statement No. 54 did not have an effect on the previously reported fund balances.

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. Equity in Pooled Deposits

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

	2011	2010
Demand deposits	\$258,227	\$276,701
Certificates of deposit	180,000	180,000
Total deposits	\$438,227	\$456,701

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$103,476	\$109,781	\$6,305
Special Revenue	31,460	31,411	(49)
Capital Projects	167,000	140,919	(26,081)
Enterprise	670,900	584,492	(86,408)
Total	\$972,836	\$866,603	(\$106,233)

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$315,017	\$178,847	\$136,170
Special Revenue	34,320	15,813	18,507
Capital Projects	219,604	152,478	67,126
Enterprise	828,552	593,781	234,771
Total	<u>\$1,397,493</u>	<u>\$940,919</u>	<u>\$456,574</u>

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$437,985	\$196,240	(\$241,745)
Special Revenue	31,350	30,963	(387)
Capital Projects	322,000	189,009	(132,991)
Enterprise	792,000	600,373	(191,627)
Total	<u>\$1,583,335</u>	<u>\$1,016,585</u>	<u>(\$566,750)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$442,590	\$350,814	\$91,776
Special Revenue	34,925	20,680	14,245
Capital Projects	380,000	232,613	147,387
Enterprise	790,655	753,507	37,148
Total	<u>\$1,648,170</u>	<u>\$1,357,614</u>	<u>\$290,556</u>

Contrary to Ohio law, appropriations exceeded estimated resources in the Capital Projects Fund by \$46,441 for the year ended December 31, 2010.

4. Property Tax

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

Public utilities are also taxed on personal and real property located within the Village.

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.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Local Income Tax

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$234,650	0%
Ohio Water Development Authority Loan	1,028,950	1.5
Total	\$1,263,600	

In 2005 the Ohio Public Works Commission (OPWC) approved loan #CE361 in the amount of \$312,867, an interest free loan to the village for the construction of the water main line.

In 2006 the Village entered into a loan agreement Loan #4529 with The Ohio Water Development Authority (OWDA) for \$1,192,500 at 1.5% for the construction of the water main line.

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

Year ending December 31:	OWDA Loan	OPWC Loan
2012	\$15,643	\$49,509
2013	15,643	49,509
2014	15,643	49,509
2015	15,643	49,509
2016	15,643	49,509
2017-2021	78,217	247,543
2022-2026	78,218	247,543
2027-2031		247,543
2032-2036		247,726
Total	\$234,650	\$1,237,900

7. Retirement System

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

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

8. Risk Management

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village does participate in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Risk Management (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC.

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.



Dave Yost • 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 Tontogany
Wood County
18545 Main Street, P.O. Box 238
Tontogany, OH 43565-0238

To the Village Council:

We have audited the financial statements of the Village of Tontogany, Wood County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 21, 2012, 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 and in 2011 the Village adopted Government Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted 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(A) mandates 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

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 2011-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 21, 2012.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 21, 2012

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Material Weakness / Monitoring Financial Statements

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The 2011 and 2010 financial statements contained material errors, such as the following:

- In 2011 and 2010 \$68,207 and \$66,400 respectively, of Agency Fund activity was incorrectly recorded in the Sewer Fund.
- In 2011 \$44,283 of outstanding encumbrances were recorded as unassigned fund balances in the General Fund, rather than being recorded as assigned fund balance as required by GASB Statement 54.
- In 2010, reserves for encumbrances were understated by \$43,603 in the General Fund, \$43,604 in the Capital Projects Fund and \$41,007 in the Enterprise Fund.

Twelve adjustments ranging in amounts from \$79 to \$68,207 were recorded to the financial statements to correct these and other errors.

To ensure the Village's financial statements and notes to the statements are complete and accurate, we recommend the Fiscal Officer record all transactions in accordance with the guidance included in the Ohio Village Handbook. Furthermore, the Village Council should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions.

Officials' Response:

We will work to correct this issue.

FINDING NUMBER 2011-002

Noncompliance Citation

Ohio Revised Code, § 5705.39, states that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

Appropriations exceeded estimated resources in the Capital Projects fund by \$46,441 in 2010.

Allowing appropriations to exceed estimated resources increases the possibility appropriations may be unrealistically inflated which could result in deficit spending.

The Fiscal Officer should monitor estimated resources and appropriations throughout the year and make the necessary modifications, with approval of the Council, to avoid appropriations exceeding estimated resources which could lead to overspending.

Officials' Response:

We will work to correct this issue.

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**VILLAGE OF TONTOGANY
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Revised Code 5705.41(D)(1), for the failure to certify expenditures.	Yes	
2009-002	Ohio Revised Code 5705.41(B), for expenditures exceeding appropriations.	Yes	
2009-003	Ohio Revised Code 731.14, for not competitively bidding a paving contract.	Yes	
2009-004	Material Weakness / Monitoring Financial Statements.	No	Repeated as finding 2011-001 in this report

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VILLAGE OF TONTOGANY

WOOD 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
SEPTEMBER 4, 2012