



**VILLAGE OF TONTOGANY
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF TONTOGANY
WOOD COUNTY

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Mary Taylor, CPA
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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 26, 2008

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Mary Taylor, CPA

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 Village of Tontogany, Wood County, (the Village) as of and for the years ended December 31, 2007 and 2006. 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.

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.

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, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Tontogany, Wood County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

For the year ended December 31, 2006, the Village revised its financial presentation to financial statements using accounting practices the Auditor of State prescribes or permits.

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 September 26, 2008, 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

September 26, 2008

**VILLAGE OF TONTOGANY
WOOD COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$20,648			\$20,648
Municipal Income Tax	62,432			62,432
Intergovernmental	25,580	\$22,434		48,014
Special Assessments		2,590		2,590
Fines, Licenses and Permits	2,537			2,537
Earnings on Investments	38,149	1,903		40,052
Miscellaneous	5,950	240		6,190
	<u>155,296</u>	<u>27,167</u>		<u>182,463</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	22,387	2,266		24,653
Public Health Services	295			295
Leisure Time Activities	7,484			7,484
Community Environment	1,484			1,484
Basic Utility Service	2,571			2,571
Transportation	1,660	6,115		7,775
General Government	41,152			41,152
Capital Outlay	32,140	69,944		102,084
	<u>109,173</u>	<u>78,325</u>		<u>187,498</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>46,123</u>	<u>(51,158)</u>		<u>(5,035)</u>
Other Financing (Disbursements):				
Other Financing Uses	<u>(3,392)</u>			<u>(3,392)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	42,731	(51,158)		(8,427)
Fund Cash Balances, January 1	<u>313,187</u>	<u>130,109</u>	<u>\$11,559</u>	<u>454,855</u>
Fund Cash Balances, December 31	<u>\$355,918</u>	<u>\$78,951</u>	<u>\$11,559</u>	<u>\$446,428</u>

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

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$629,906
Operating Cash Disbursements:	
Personal Services	15,765
Employee Fringe Benefits	2,412
Contractual Services	558,351
Supplies and Materials	14,279
Total Operating Cash Disbursements	590,807
Operating Income	39,099
Non-Operating Cash Receipts:	
Intergovernmental	21,415
Capital Contributions	235,191
Sale of Notes	35,512
Total Non-Operating Cash Receipts	292,118
Non-Operating Cash Disbursements:	
Capital Outlay	49,893
Redemption of Principal	51,030
Interest and Other Fiscal Charges	17,769
Other Non-Operating Cash Disbursements	144,346
Total Non-Operating Cash Disbursements	263,038
Net Receipts Over Disbursements	68,179
Fund Cash Balances, January 1	361,508
Fund Cash Balances, December 31	\$429,687

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

**VILLAGE OF TONTOGANY
WOOD 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**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$23,985			\$23,985
Municipal Income Tax	70,467			70,467
Intergovernmental	14,625	\$21,046		35,671
Special Assessments		4,278		4,278
Fines, Licenses and Permits	1,854			1,854
Earnings on Investments	25,054	2,015		27,069
Miscellaneous	2,407			2,407
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	138,392	27,339		165,731
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
Security of Persons and Property	24,790	2,189		26,979
Public Health Services	241			241
Leisure Time Activities	6,559			6,559
Community Environment	1,377			1,377
Basic Utility Service	3,271			3,271
Transportation	1,140	2,608		3,748
General Government	52,118			52,118
Capital Outlay	18,496	5,860		24,356
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	107,992	10,657		118,649
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over Cash Disbursements	30,400	16,682		47,082
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts / (Disbursements):				
Transfers-In	7,389			7,389
Transfers-Out		(7,389)		(7,389)
Other Financing Uses	(302)			(302)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	7,087	(7,389)		(302)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	37,487	9,293		46,780
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	275,700	120,816	\$11,559	408,075
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Fund Cash Balances, December 31	\$313,187	\$130,109	\$11,559	\$454,855
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Reserve for Encumbrances, December 31	\$97	\$200		\$297
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The notes to the financial statements are an integral part of this statement.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$471,685
Operating Cash Disbursements:	
Personal Services	16,897
Employee Fringe Benefits	3,254
Contractual Services	432,281
Supplies and Materials	3,633
Total Operating Cash Disbursements	456,065
Operating Income	15,620
Non-Operating Cash Receipts:	
Sale of Notes	1,316,036
Other Non-Operating Cash Receipts	145
Total Non-Operating Cash Receipts	1,316,181
Non-Operating Cash Disbursements:	
Capital Outlay	1,122,951
Redemption of Principal	151,446
Total Non-Operating Cash Disbursements	1,274,397
Net Receipts Over Disbursements	57,404
Fund Cash Balances, January 1	304,104
Fund Cash Balances, December 31	\$361,508
Reserve for Encumbrances, December 31	\$208,157

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, 2007 AND 2006**

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, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, and park operations.

The Village participates in a joint self-insurance pool. Note 9 to the financial statements provide additional information for this entity. This organization is:

Ohio Municipal Joint Self-Insurance Pool is available to Villages and provides liability insurance.

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 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.

Repurchase agreements are valued at cost.

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 TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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 Fund:

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

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:

Capital Improvement Fund – This fund receives transfers from the General Fund to be used for capital improvements.

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 service cost.

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.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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.

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. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

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.

2. CHANGE IN FINANCIAL STATEMENT PRESENTATION

During 2006, the Village changed its method of accounting from cash basis to the regulatory cash basis in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. Instead of reporting major funds in separate columns and all nonmajor funds in a single column, the Village now includes a separate column for each fund type. There were no adjustments to beginning fund balances since the basis of accounting has not changed.

3. 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:

	<u>2007</u>	<u>2006</u>
Demand deposits	\$376,115	\$316,363
Repurchase agreement	500,000	500,000
Total deposits and investments	<u>\$876,115</u>	<u>\$816,363</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS – (CONTINUED)

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$171,146	\$155,296	(\$15,850)
Special Revenue	25,400	27,167	1,767
Enterprise	893,500	922,024	28,524
Total	<u>\$1,090,046</u>	<u>\$1,104,487</u>	<u>\$14,441</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$159,697	\$112,565	\$47,132
Special Revenue	104,080	78,325	25,755
Enterprise	1,276,658	853,845	422,813
Total	<u>\$1,540,435</u>	<u>\$1,044,735</u>	<u>\$495,700</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$86,703	\$145,781	\$59,078
Special Revenue	70,300	27,339	(42,961)
Enterprise	1,949,416	1,787,866	(161,550)
Total	<u>\$2,106,419</u>	<u>\$1,960,986</u>	<u>(\$145,433)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$140,589	\$108,391	\$32,198
Special Revenue	111,075	18,246	92,829
Capital Projects	1,559		1,559
Enterprise	1,022,842	1,938,619	(915,777)
Total	<u>\$1,276,065</u>	<u>\$2,065,256</u>	<u>(\$789,191)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water Operating Fund by \$970,489 and the Sewer Operating Fund by \$3,494 for the year ended December 31, 2006.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. 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.

6. 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.

7. DEBT

Debt outstanding at December 31, 2007, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$297,224	
Ohio Water Development Authority Loan	962,801	1.5%
Total	<u>\$1,260,025</u>	

In 2005, the Ohio Public Works Commission (OPWC) approved Loan # CE36I in the amount of \$312,867, an interest free loan to the Village for the construction of the water main line. As of December 31, 2007, all loan proceeds have been received.

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. OWDA loan # 3925 and # 4210 were extinguished and rolled into loan #4529. The water system project was completed as of December 31, 2007 with only drawing \$994,541 of the loan. The remaining balance will be drawn for a future water line project once approved by OWDA. At that time an amortization schedule will be developed by OWDA.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. DEBT – (CONTINUED)

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

Year ending December 31:	OPWC Loan #CE36I Principal
2008	\$15,643
2009	15,643
2010	15,643
2011	15,643
2012	15,643
2013 – 2017	78,217
2018 – 2022	78,217
2023 – 2027	62,575
Total	\$297,224

In addition to the debt described above, the Village has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2007 was \$297,224. This disclosure does not include the related defeased debt or assets, since trustee assets should provide sufficient resources to retire the debt.

8. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

9. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

VILLAGE OF TONTOGANY
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

9. RISK MANAGEMENT – (CONTINUED)

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2006 and 2005 (the latest information available):

	<u>2006</u>	<u>2005</u>
Assets	\$2,331,284	\$ 2,241,661
Liabilities	<u>(3,130,475)</u>	<u>(3,457,720)</u>
Accumulated deficit	<u>(\$799,191)</u>	<u>(\$1,216,059)</u>

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Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of Village of Tontogany, Wood County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 26, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and the Village began reporting on the regulatory basis. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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 deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-002.

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. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain matters that we reported to the Village's management in a separate letter dated September 26, 2008.

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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 26, 2008.

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



Mary Taylor, CPA
Auditor of State

September 26, 2008

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

Actual expenditures exceeded approved appropriations by \$970,489 in the Water Operating Fund and \$3,494 in the Sewer Operating Fund during 2006.

The Village Fiscal Officer and Council should review appropriations prior to processing and approving expenditures. Expenditures should only be made for which there are sufficient appropriations. Appropriations should be increased as needed, and if necessary amend the corresponding estimated resources.

FINDING NUMBER 2007-002

Material Weakness - Monitoring Controls by Council and Financial Reporting

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. 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 Fiscal Officer performed most accounting functions. It is therefore important that Council monitor financial activity closely. The following deficiencies were noted in the reporting of the Village's financial activity that required adjustment and are reflected in the accompanying financial statements and accounting records:

- Errors were noted in the posting of revenues and expenditures to the financial statements that required twenty audit reclassifications and adjustments ranging in amounts \$1,000 to \$851,561.
- Budgeted receipts and appropriations posted to the Village's accounting system did not always agree to the amended certificate of estimated resources or to the appropriation resolution or any modifications or amendments.
- The Village had \$159,135 in outstanding purchase commitments as of December 31, 2006 that were not certified at year end. The accompanying budgetary presentations have been adjusted to reflect these amounts as an outstanding encumbrance at year end in the Water fund.
- As noted in Finding 2007-001 Expenditures exceeded appropriations in the Water Operating Fund by \$970,489. This was the result of payments to contractors on be-half of the Village for a water line project that the Village did not appropriate.

These weaknesses allowed posting errors to occur and go undetected. In addition, inaccurate budgetary information could hinder Council's ability to monitor the Village's financial condition when reviewing budgetary reports.

**FINDING NUMBER 2007-002
(Continued)**

To strengthen the monitoring over the Village's financial condition and ensure the financial statements are complete and accurate we recommend, the Village adopt policies and procedures, including a review of the financial records and a final review of the statements by the Fiscal Officer and Village Council.

Officials Response:

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



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 6, 2008