



Dave Yost • Auditor of State



VILLAGE OF TONTOGANY  
WOOD COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Tontogany, Wood County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1B of the financial statements, the Government prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Tontogany, Wood County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 2, 2014

**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, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$23,343	\$2,116		\$25,459
Municipal Income Tax	94,501			94,501
Intergovernmental	6,388	19,684		26,072
Special Assessments		8,748		8,748
Fines, Licenses and Permits	4,271			4,271
Earnings on Investments	8	2		10
Miscellaneous	3,632			3,632
<i>Total Cash Receipts</i>	<u>132,143</u>	<u>30,550</u>		<u>162,693</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	27,360	1,613		28,973
Public Health Services	203			203
Leisure Time Activities	10,467	1,349		11,816
Community Environment	1,385			1,385
Basic Utility Services	943			943
Transportation	1,588	2,492		4,080
General Government	43,993			43,993
Capital Outlay	61,859	1,482	\$61,859	125,200
<i>Total Cash Disbursements</i>	<u>147,798</u>	<u>6,936</u>	<u>61,859</u>	<u>216,593</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(15,655)</u>	<u>23,614</u>	<u>(61,859)</u>	<u>(53,900)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds			61,859	61,859
Other Financing Uses	(1,987)			(1,987)
<i>Net Change in Fund Cash Balances</i>	<u>(17,642)</u>	<u>23,614</u>		<u>5,972</u>
<i>Fund Cash Balances, January 1</i>	<u>175,715</u>	<u>91,282</u>	<u>11,559</u>	<u>278,556</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		114,896		114,896
Committed			11,559	11,559
Assigned	40,100			40,100
Unassigned	117,973			117,973
<i>Fund Cash Balances, December 31</i>	<u>\$158,073</u>	<u>\$114,896</u>	<u>\$11,559</u>	<u>\$284,528</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, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$745,657	\$65,371	\$811,028
<b>Operating Cash Disbursements</b>			
Personal Services	13,500		13,500
Employee Fringe Benefits	2,261		2,261
Contractual Services	624,701	70,382	695,083
Supplies and Materials	5,840		5,840
<i>Total Operating Cash Disbursements</i>	646,302	70,382	716,684
<i>Operating Income (Loss)</i>	99,355	(5,011)	94,344
<b>Non-Operating Disbursements</b>			
Capital Outlay	(11,614)		(11,614)
Principal Retirement	(65,152)		(65,152)
Other Financing Uses	(881)		(881)
<i>Total Non-Operating Disbursements</i>	(77,647)		(77,647)
<i>Net Change in Fund Cash Balances</i>	21,708	(5,011)	16,697
<i>Fund Cash Balances, January 1</i>	259,693	\$5,011	264,704
<i>Fund Cash Balances, December 31</i>	\$281,401		\$281,401

*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, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$21,886	\$2,141		\$24,027
Municipal Income Tax	75,480			75,480
Intergovernmental	13,915	20,343	\$27,449	61,707
Special Assessments		8,539		8,539
Fines, Licenses and Permits	3,936			3,936
Earnings on Investments	156	3		159
Miscellaneous	4,033			4,033
<i>Total Cash Receipts</i>	<u>119,406</u>	<u>31,026</u>	<u>27,449</u>	<u>177,881</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	24,983	971		25,954
Public Health Services	203			203
Leisure Time Activities	11,841	4,000		15,841
Community Environment	1,385			1,385
Basic Utility Services	915			915
Transportation	1,966	1,258		3,224
General Government	50,748			50,748
Capital Outlay	18,292	3,102	27,449	48,843
<i>Total Cash Disbursements</i>	<u>110,333</u>	<u>9,331</u>	<u>27,449</u>	<u>147,113</u>
<i>Excess of Receipts Over Disbursements</i>	<u>9,073</u>	<u>21,695</u>		<u>30,768</u>
<b>Other Financing (Disbursements)</b>				
Other Financing Uses	(1,653)			(1,653)
<i>Net Change in Fund Cash Balances</i>	7,420	21,695		29,115
<i>Fund Cash Balances, January 1</i>	<u>168,295</u>	<u>69,587</u>	<u>11,559</u>	<u>249,441</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		91,282		91,282
Committed			11,559	11,559
Assigned	101,736			101,736
Unassigned	73,979			73,979
<i>Fund Cash Balances, December 31</i>	<u>\$175,715</u>	<u>\$91,282</u>	<u>\$11,559</u>	<u>\$278,556</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, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$666,237	\$65,379	\$731,616
<b>Operating Cash Disbursements</b>			
Personal Services	14,008		14,008
Employee Fringe Benefits	2,354		2,354
Contractual Services	497,469	60,368	557,837
Supplies and Materials	4,359		4,359
<i>Total Operating Cash Disbursements</i>	518,190	60,368	578,558
<i>Operating Income</i>	148,047	5,011	153,058
<b>Non-Operating Disbursements</b>			
Capital Outlay	(10,880)		(10,880)
Principal Retirement	(65,152)		(65,152)
Other Financing Uses	(1,108)		(1,108)
<i>Total Non-Operating Disbursements</i>	(77,140)		(77,140)
<i>Net Change in Fund Cash Balances</i>	70,907	5,011	75,918
<i>Fund Cash Balances, January 1</i>	188,786		188,786
<i>Fund Cash Balances, December 31</i>	\$259,693	\$5,011	\$264,704

*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, 2013 AND 2012**

**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 participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

Ohio Plan Risk Management Inc. (OPRM) is available to public entities in Ohio. OPRM provides property and casualty coverage for its members.

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 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.

The Village values certificates of deposit 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF TONTOGANY  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

Special Assessments – Street Lights Fund – This fund receives special assessment revenue to pay for the repair and maintenance of the street lights.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Ohio Public Works Commission Fund – This fund receives revenue from grants or loans from the Ohio Public Works Commission. The proceeds are being used to enclose the Tontogany Creek Road ditch.

**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 costs.

**5. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments 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 governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for sewer receipts collected for Northwestern Water and Sewer District.

**VILLAGE OF TONTOGANY  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

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.

**VILLAGE OF TONTOGANY  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**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.

**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:

	2013	2012
Demand deposits	\$385,929	\$363,260
Certificates of deposit	180,000	180,000
Total deposits	\$565,929	\$543,260

**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, 2013 and 2012 follows:

**VILLAGE OF TONTOGANY  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$113,224	\$132,143	\$18,919
Special Revenue	31,130	30,550	(580)
Capital Projects	61,859	61,859	
Enterprise	738,400	745,657	7,257
Total	<u>\$944,613</u>	<u>\$970,209</u>	<u>\$25,596</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$214,960	\$149,785	\$65,175
Special Revenue	33,170	6,936	26,234
Capital Projects	71,859	61,859	10,000
Enterprise	824,790	723,949	100,841
Total	<u>\$1,144,779</u>	<u>\$942,529</u>	<u>\$202,250</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$122,249	\$119,406	(\$2,843)
Special Revenue	31,725	31,026	(699)
Capital Projects	30,000	27,449	(2,551)
Enterprise	757,400	666,237	(91,163)
Total	<u>\$941,374</u>	<u>\$844,118</u>	<u>(\$97,256)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$189,066	\$111,986	\$77,080
Special Revenue	34,925	9,331	25,594
Capital Projects	40,000	27,449	12,551
Enterprise	744,490	595,330	149,160
Total	<u>\$1,008,481</u>	<u>\$744,096</u>	<u>\$264,385</u>

**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

**VILLAGE OF TONTOGANY  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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.

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

**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, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission CE36I	\$203,364	0.0%
Ohio Public Works Commission CE41Q	61,859	0.0%
Ohio Water Development Authority Loan	960,031	1.5%
Total	<u>\$1,225,254</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.

In 2005, the Village entered into loan agreement #4529 with the Ohio Water Development Authority (OWDA) for \$1,192,500 with a 1.5% interest rate for the construction of the water main line.

In 2013, the Ohio Public Works Commission (OPWC) approved interest free loan #CE41Q up to the amount of \$73,850 to enclose the Tontogany Creek Road ditch. As of December 31, 2013, the project was not finished and only \$61,859 had been borrowed from OPWC. The project was completed in July 2014 with an additional \$6,005 borrowed bringing the total loan amount to \$67,864. The following amortization schedule reflects the entire amount drawn.

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

**VILLAGE OF TONTOGANY  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

Year ending December 31:	OPWC #CE36I	OWDA Loan	OPWC #CE41Q
2014	\$15,643	\$49,509	
2015	15,643	49,509	\$3,393
2016	15,643	49,509	3,393
2017	15,643	49,509	3,393
2018	15,643	49,509	3,393
2019-2023	78,217	247,543	16,966
2024-2028	46,932	247,543	16,966
2029-2033		247,543	16,966
2034-2037		148,709	3,394
Total	<u>\$203,364</u>	<u>\$1,138,883</u>	<u>\$67,864</u>

**7. 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 plan's benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

**8. Risk Management**

**Risk Pool Membership**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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.

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary

**VILLAGE OF TONTOGANY  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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 equity at December 31, 2012 and 2013.

	<b>2012</b>	<b>2013</b>
Assets	<u>\$13,100,381</u>	<u>\$13,774,304</u>
Liabilities	<u>(6,687,193)</u>	<u>(7,968,395)</u>
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Tontogany, Wood County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

***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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

October 2, 2014

**VILLAGE OF TONTOGANY  
WOOD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Material Weakness**

**Recording “On Behalf of” Grants/Loans**

The Village benefited from \$61,859 in Ohio Public Works Commission (OPWC) funding in 2013. However, the Fiscal Officer did not record the related receipts and disbursements in the Village’s accounting system or on the accompanying financial statements or notes to the financial statements. Auditor of State Bulletins 2000-008 and 2002-004 prescribes recording these transactions as receipts and disbursements when the Village applies for a project and has administrative responsibilities.

This resulted in a material understatement of financial statements in the Capital Projects fund type for 2013. The financial statements and notes to the financial statements have been adjusted to correct this misstatement.

In order to properly account for OPWC funding, the Fiscal Officer should record the monies as a receipt and disbursement in the Village’s accounting system. This will help ensure financial activity is not understated on the Village’s financial statements. In addition, Village management should review Auditor of State Bulletins 2000-008 and 2002-004.

**FINDING NUMBER 2013-002**

**Material Weakness**

**GASB 54 Fund Balance Reporting**

**Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions**, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

Committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of Council. Furthermore, if a capital projects fund has a transfer as its sole inflow and the governing body has identified a special purpose by ordinance or resolution, then the fund balance is committed.

Assigned fund balance classification includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary

resource, then that portion of fund balance should be classified as assigned. This would be applicable to the general as it is the only fund with a positive unassigned fund balance.

The Capital Projects fund was funded by action of Council, whereby committing these funds to capital project expenditures. The fund balances of the Capital Projects fund \$11,559 in 2013 and in 2012 were classified as restricted instead of committed.

The 2014 and 2013 annual appropriation measures for the General fund were adopted on December 2, 2013 and December 3, 2012. Total appropriations for both measures exceeded estimated receipts as follows:

	<u>2014</u>	<u>2013</u>
Estimated Receipts	\$124,680	\$113,224
Appropriations	<u>164,780</u>	<u>214,960</u>
Deficit	<u>\$40,100</u>	<u>\$101,736</u>

The amounts of the deficit noted above should have been recognized as assigned for subsequent year's appropriations instead of being classified as unassigned.

Adjustments were recorded to the 2013 and 2012 financial statements to change the above differences in fund balance classification.

In order to ensure the Village's fund balances are reported in accordance with GASB 54, we recommend the Village review and follow Auditor of State Bulletin 2011-004.

**Officials' Response:**

We will work to correct these issues.

**VILLAGE OF TONTOGANY  
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Material weakness for incorrect posting of certain transactions and fund balances.	No	Not corrected and repeated as finding number 2013-002 in this report.
2011-002	Ohio Rev. Code § 5705.39 for appropriations exceeding estimated resources.	Yes	

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# Dave Yost • 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  
OCTOBER 21, 2014**