



**VILLAGE OF TONTOGANY
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009



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
P.O. Box 238
Tontogany, Ohio 43656-0238

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 14, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Tontogany
Wood County
P.O. Box 238
Tontogany, Ohio 43656-0238

To the Village Council:

We have audited the accompanying financial statements of the Village of Tontogany, Wood County, (the Village) as of and for the years ended December 31, 2009 and 2008. 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, 2009 and 2008 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, 2009 and 2008, 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 the Village of Tontogany, Wood County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2010, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 14, 2010

**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, 2009**

	<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	\$19,622			\$19,622
Municipal Income Tax	64,897			64,897
Intergovernmental	13,690	\$21,719	\$217,473	252,882
Special Assessments		7,349		7,349
Fines, Licenses and Permits	4,097			4,097
Earnings on Investments	1,016	16		1,032
Miscellaneous	3,183			3,183
Total Cash Receipts	<u>106,505</u>	<u>29,084</u>	<u>217,473</u>	<u>353,062</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	25,786	2,637		28,423
Public Health Services	395			395
Leisure Time Activities	12,978			12,978
Community Environment	1,485			1,485
Basic Utility Service	2,426			2,426
Transportation	83,296	7,885		91,181
General Government	37,619			37,619
Capital Outlay	2,115	14,751	217,473	234,339
Total Cash Disbursements	<u>166,100</u>	<u>25,273</u>	<u>217,473</u>	<u>408,846</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(59,595)	3,811		(55,784)
Fund Cash Balances, January 1	<u>363,332</u>	<u>40,207</u>	<u>11,559</u>	<u>415,098</u>
Fund Cash Balances, December 31	<u>\$303,737</u>	<u>\$44,018</u>	<u>\$11,559</u>	<u>\$359,314</u>
Reserve for Encumbrances, December 31	<u>\$20,000</u>			<u>\$20,000</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, 2009**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$598,460
Operating Cash Disbursements:	
Personal Services	13,925
Employee Fringe Benefits	2,294
Contractual Services	487,656
Supplies and Materials	3,255
Total Operating Cash Disbursements	507,130
Operating Income	91,330
Non-Operating Cash Receipts:	
Sale of Notes	196,537
Non-Operating Cash Disbursements:	
Capital Outlay	216,423
Redemption of Principal	48,346
Interest and Other Fiscal Charges	16,806
Other Non-Operating Cash Disbursements	175
Total Non-Operating Cash Disbursements	281,750
Excess of Receipts Over Disbursements	6,117
Fund Cash Balances, January 1	291,882
Fund Cash Balances, December 31	\$297,999

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, 2008**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$16,843			\$16,843
Municipal Income Tax	63,639			63,639
Intergovernmental	10,484	\$22,159		32,643
Special Assessments		6,594		6,594
Fines, Licenses and Permits	3,086			3,086
Earnings on Investments	14,782	609		15,391
Miscellaneous	4,813			4,813
	113,647	29,362		143,009
Cash Disbursements:				
Current:				
Security of Persons and Property	23,468	1,799		25,267
Public Health Services	338			338
Leisure Time Activities	7,438			7,438
Community Environment	1,485			1,485
Basic Utility Service	892			892
Transportation	2,186	6,852		9,038
General Government	52,834			52,834
Capital Outlay	15,738	59,455		75,193
	104,379	68,106		172,485
Total Cash Receipts Over/(Under) Cash Disbursements	9,268	(38,744)		(29,476)
Other Financing (Disbursements):				
Other Financing Uses	(1,854)			(1,854)
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	7,414	(38,744)		(31,330)
Fund Cash Balances, January 1	355,918	78,951	11,559	446,428
Fund Cash Balances, December 31	\$363,332	\$40,207	\$11,559	\$415,098
Reserve for Encumbrances, December 31	\$2,788			\$2,788

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, 2008**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$472,315
Operating Cash Disbursements:	
Personal Services	15,253
Employee Fringe Benefits	2,357
Contractual Services	479,316
Supplies and Materials	9,433
Total Operating Cash Disbursements	506,359
Operating (Loss)	(34,044)
Non-Operating Cash Receipts:	
Intergovernmental	17,291
Non-Operating Cash Disbursements:	
Capital Outlay	53,542
Redemption of Principal	47,861
Interest and Other Fiscal Charges	17,291
Other Non-Operating Cash Disbursements	2,358
Total Non-Operating Cash Disbursements	121,052
Excess of Disbursements Over Receipts	(137,805)
Fund Cash Balances, January 1	429,687
Fund Cash Balances, December 31	\$291,882
Reserve for Encumbrances, December 31	\$216,423

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, 2009 AND 2008**

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, sewer, 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 joint self insurance Pool. Note 8 to the financial statements provide additional information for this entity. This organization is the Ohio Municipal Joint Self-Insurance Pool. 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. 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.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Permissive Motor Vehicle License Fund – This fund receives auto registration fees for 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 Ohio Public Works Commission proceeds for the purpose of waterline construction.

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.

D. 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, 2009 AND 2008
(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. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

E. 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:

	2009	2008
Demand deposits	\$407,313	\$706,980
Certificates of deposit	250,000	
Total deposits	\$657,313	\$706,980

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, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$111,822	\$106,505	(\$5,317)
Special Revenue	29,450	29,084	(366)
Capital Projects	208,441	217,473	9,032
Enterprise	747,000	794,997	47,997
Total	\$1,096,713	\$1,148,059	\$51,346

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$274,863	\$186,100	\$88,763
Special Revenue	37,935	25,273	12,662
Capital Projects	220,000	217,473	2,527
Enterprise	953,020	788,880	164,140
Total	\$1,485,818	\$1,217,726	\$268,092

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$134,666	\$113,647	(\$21,019)
Special Revenue	26,750	29,362	2,612
Enterprise	580,300	489,606	(90,694)
Total	\$741,716	\$632,615	(\$109,101)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$174,035	\$109,021	\$65,014
Special Revenue	84,200	68,106	16,094
Enterprise	888,200	843,834	44,366
Total	\$1,146,435	\$1,020,961	\$125,474

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water Operating Fund by \$80,096 for the year ended December 31, 2009. The Village also did not reserve \$216,423 for an outstanding contract at December 31, 2008.

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.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax (Continued)

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, 2009 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$265,937	
Ohio Water Development Authority Loan	1,095,840	1.5%
Total	\$1,361,777	

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:

	OPWC Loan #CE361	OWDA Loan #4529
Year ending December 31:		
2010	\$15,643	\$49,509
2011	15,643	49,509
2012	15,643	49,509
2013	15,643	49,509
2014	15,643	49,509
2015-2019	78,217	247,545
2020-2024	78,217	247,545
2025-2029	31,288	247,545
2030-2034		247,545
2035-2037		99,009
Total	\$265,937	\$1,336,734

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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 benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, 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, 2009.

8. Risk Management

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool 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.

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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$2,552,519	\$ 2,405,834
Liabilities	<u>(2,814,306)</u>	<u>(2,877,385)</u>
Accumulated deficit	<u>(\$261,787)</u>	<u>(\$471,551)</u>



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 43656-0238

To the Village Council:

We have audited the financial statements of the Village of Tontogany, Wood County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated April 14, 2010 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. 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 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 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 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 findings 2009-001 and 2009-004 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 14, 2010.

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



Mary Taylor, CPA
Auditor of State

April 14, 2010

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-001

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5705.41(D)(1) states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the Fiscal Officer certifying the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates each of which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the Fiscal Officer can certify both at the time the contract or order was made ("then"), and at the time the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrance, the Council can authorize the drawing of a warrant for the payment of the amount due. The Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Council.

2. **Blanket Certificate** – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation

The Village had \$216,423 in outstanding purchase commitments as of December 31, 2008 which were not certified at year end. The accompanying financial statements and budgetary presentation footnote have been adjusted to reflect these amounts as outstanding encumbrances at year end in the Water Fund.

Certification is not only required by Ohio law, but it is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds

being over expended or exceeding budgetary spending limitations as set by the Council. To improve controls over disbursements, we recommend all Village disbursements receive prior certification from the Fiscal Officer and the Council periodically review the expenditures made to ensure they are within the appropriations adopted by Council, certified by the Fiscal Officer, and recorded against appropriations.

FINDING NUMBER 2009-002

Noncompliance Citation

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

Actual expenditures of \$423,116 exceeded approved appropriations by \$80,096 in the Water Operating Fund during 2008. Total appropriations in the Water Fund were \$343,020 in 2008.

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 should be amended.

FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Revised Code § 731.14, states all contracts made by the legislative authority of a village that exceed \$25,000 are subject to competitive bidding procedures.

The Village performed a paving project which had a total cost of \$45,100. This contract exceeded the \$25,000 bid limit and was not competitively bid. We recommend all projects exceeding the bidding requirement be bid.

FINDING NUMBER 2009-004

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 fiscal year 2009 and 2008 financial statements contained material errors, such as the following:

- Note proceeds along with the corresponding capital outlay expenses in the amount of \$196,537 were not recorded on the Financial Statements of the Village.
- Interest payments for notes in the amount of \$16,806 were classified as principal payments on the Financial Statements.

Seven adjusting and reclassifications ranging in amounts from \$170 to \$196,537 were posted 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 post all transactions in accordance with the guidance established by the Uniform Accounting Network issued by the Auditor of State. 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.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code Section 5705.41(B), Expenditures exceeding appropriations.	No	Re-issued as Finding number 2009-002, in this report.
2007-002	Monitoring Controls by Council	No	Re-issued as Finding number 2009-004, in this report.



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
MAY 6, 2010