



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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Tontogany, Wood County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014.

### ***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 opinions.

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

As described in Note 1B of the financial statements, the Village 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2015 and 2014, 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, 2015 and 2014, 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 10, 2016, 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 10, 2016

**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, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$23,726	\$2,227		\$25,953
Municipal Income Tax	109,009			109,009
Intergovernmental	8,445	20,397		28,842
Special Assessments	1,400	4,749		6,149
Fines, Licenses and Permits	3,904			3,904
Earnings on Investments	999	181		1,180
Miscellaneous	4,358	940		5,298
<i>Total Cash Receipts</i>	<u>151,841</u>	<u>28,494</u>		<u>180,335</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	28,098	273		28,371
Public Health Services	202			202
Leisure Time Activities	15,723	5,700		21,423
Community Environment	1,400			1,400
Basic Utility Services	1,022			1,022
Transportation	6,500	11,188		17,688
General Government	45,093			45,093
Capital Outlay	33,020	10,234		43,254
Debt Service:				
Principal Retirement	3,393			3,393
<i>Total Cash Disbursements</i>	<u>134,451</u>	<u>27,395</u>		<u>161,846</u>
<i>Excess of Receipts Over Disbursements</i>	<u>17,390</u>	<u>1,099</u>		<u>18,489</u>
<b>Other Financing Disbursements</b>				
Other Financing Uses	(2,953)			(2,953)
<i>Net Change in Fund Cash Balances</i>	14,437	1,099		15,536
<i>Fund Cash Balances, January 1</i>	<u>196,927</u>	<u>116,553</u>	<u>\$11,559</u>	<u>325,039</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		117,652		117,652
Committed			11,559	11,559
Assigned	31,657			31,657
Unassigned	179,707			179,707
<i>Fund Cash Balances, December 31</i>	<u>\$211,364</u>	<u>\$117,652</u>	<u>\$11,559</u>	<u>\$340,575</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, 2015**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$800,823	\$79,585	\$880,408
<b>Operating Cash Disbursements</b>			
Personal Services	15,033		15,033
Employee Fringe Benefits	2,497		2,497
Contractual Services	720,854	79,585	800,439
Supplies and Materials	2,663		2,663
<i>Total Operating Cash Disbursements</i>	<u>741,047</u>	<u>\$79,585</u>	<u>820,632</u>
<i>Operating Income</i>	<u>59,776</u>		<u>59,776</u>
<b>Non-Operating Disbursements</b>			
Capital Outlay	(42,108)		(42,108)
Principal Retirement	(65,152)		(65,152)
Other Financing Uses	(50)		(50)
<i>Total Non-Operating Disbursements</i>	<u>(107,310)</u>		<u>(107,310)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(47,534)</u>		<u>(47,534)</u>
<i>Fund Cash Balances, January 1</i>	<u>302,134</u>		<u>302,134</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$254,600</u></u>		<u><u>\$254,600</u></u>

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



**VILLAGE OF TONTOGANY  
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$23,096	\$2,205		\$25,301
Municipal Income Tax	104,699			104,699
Intergovernmental	5,963	19,867		25,830
Special Assessments	455	4,579		5,034
Fines, Licenses and Permits	4,001			4,001
Earnings on Investments	533	95		628
Miscellaneous	7,997			7,997
<i>Total Cash Receipts</i>	<u>146,744</u>	<u>26,746</u>		<u>173,490</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	27,867	1,598		29,465
Public Health Services	203			203
Leisure Time Activities	13,242	2,066		15,308
Community Environment	1,385			1,385
Basic Utility Services	943			943
Transportation	3,227	3,364		6,591
General Government	51,953			51,953
Capital Outlay	6,004	18,061	\$6,004	30,069
Debt Service:				
Principal Retirement	1,697			1,697
<i>Total Cash Disbursements</i>	<u>106,521</u>	<u>25,089</u>	<u>6,004</u>	<u>137,614</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>40,223</u>	<u>1,657</u>	<u>(6,004)</u>	<u>35,876</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds			6,004	6,004
Other Financing Uses	(51,049)			(51,049)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(51,049)</u>		<u>6,004</u>	<u>(45,045)</u>
<b>Extraordinary Item</b>				
Train Derailment Reimbursement	49,680			49,680
<i>Net Change in Fund Cash Balances</i>	38,854	1,657		40,511
<i>Fund Cash Balances, January 1</i>	<u>158,073</u>	<u>114,896</u>	<u>11,559</u>	<u>284,528</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		116,553		116,553
Committed			11,559	11,559
Assigned	29,506			29,506
Unassigned	167,421			167,421
<i>Fund Cash Balances, December 31</i>	<u>\$196,927</u>	<u>\$116,553</u>	<u>\$11,559</u>	<u>\$325,039</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, 2014**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$802,643	\$73,823	\$876,466
<b>Operating Cash Disbursements</b>			
Personal Services	14,078		14,078
Employee Fringe Benefits	2,339		2,339
Contractual Services	681,328	73,823	755,151
Supplies and Materials	6,792		6,792
<i>Total Operating Cash Disbursements</i>	<u>704,537</u>	<u>\$73,823</u>	<u>778,360</u>
<i>Operating Income</i>	<u>98,106</u>		<u>98,106</u>
<b>Non-Operating Disbursements</b>			
Capital Outlay	(8,993)		(8,993)
Principal Retirement	(65,152)		(65,152)
Other Financing Uses	(3,228)		(3,228)
<i>Total Non-Operating Disbursements</i>	<u>(77,373)</u>		<u>(77,373)</u>
<i>Net Change in Fund Cash Balances</i>	20,733		20,733
<i>Fund Cash Balances, January 1</i>	<u>281,401</u>		<u>281,401</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$302,134</u></u>		<u><u>\$302,134</u></u>

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

**VILLAGE OF TONTOGANY  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**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  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(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.

Special Assessments – Trees Fund – This fund receives special assessment revenue to pay for replacement and maintenance of trees.

**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.

**E. Budgetary Process**

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

VILLAGE OF TONTOGANY  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)

**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. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 2015 and 2014 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.

**4. Assigned**

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

**VILLAGE OF TONTOGANY  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**5. Unassigned**

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

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

**G. Property, Plant, and Equipment**

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

**2. EQUITY IN POOLED DEPOSITS**

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

	2015	2014
Demand deposits	\$415,175	\$447,173
Certificates of deposit	180,000	180,000
Total deposits	\$595,175	\$627,173

**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, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$143,087	\$151,841	\$8,754
Special Revenue	26,655	28,494	1,839
Enterprise	800,850	800,823	(27)
Fiduciary	80,000	79,585	(415)
Total	\$1,050,592	\$1,060,743	\$10,151

**VILLAGE OF TONTOGANY  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$173,153	\$137,404	\$35,749
Special Revenue	57,340	27,395	29,945
Capital Projects	10,000		10,000
Enterprise	960,380	848,357	112,023
Fiduciary	80,000	79,585	415
Total	<u>\$1,280,873</u>	<u>\$1,092,741</u>	<u>\$188,132</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$124,680	\$196,424	\$71,744
Special Revenue	26,502	26,746	244
Capital Projects	6,004	6,004	
Enterprise	781,350	802,643	21,293
Fiduciary	80,000	73,823	(6,177)
Total	<u>\$1,018,536</u>	<u>\$1,105,640</u>	<u>\$87,104</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$214,459	\$157,570	\$56,889
Special Revenue	75,620	25,089	50,531
Capital Projects	16,004	6,004	10,000
Enterprise	886,785	781,910	104,875
Fiduciary	80,000	73,823	6,177
Total	<u>\$1,272,868</u>	<u>\$1,044,396</u>	<u>\$228,472</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 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

**VILLAGE OF TONTOGANY  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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, 2015 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$889,020	1.5%
Ohio Public Works Commission CE36I	172,077	0.0%
Ohio Public Works Commission CE41Q	62,774	0.0%
Total	\$1,123,871	

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 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 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. The project was completed in July 2014 with a loan amount of \$67,864.

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

Year ending		OPWC	OPWC
December 31:	OWDA Loan	#CE36I	#CE41Q
2016	\$49,509	\$15,643	\$3,393
2017	49,509	15,643	3,393
2018	49,509	15,643	3,393
2019	49,509	15,643	3,393
2020	49,509	15,643	3,393
2021-2025	247,543	78,217	16,966
2026-2030	247,543	15,645	16,966
2031-2035	247,543		11,877
2036-2037	49,509		
Total	\$1,039,683	\$172,077	\$62,774

**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 include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, 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, 2015.



**VILLAGE OF TONTOGANY  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**8. RISK MANAGEMENT**

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. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 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, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

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

**9. EXTRAORDINARY ITEM**

On February 17, 2014, a CSX Transportation, Inc. train derailed in the Village of Tontogany. The derailment destroyed the Village's leaf vacuum, caused street damage, and caused electrical infrastructure damage. The Village obtained replacement and repair quotes and bills, which were turned in to CSX Transportation's Claims Department for insurance settlements. The cost to replace the destroyed leaf vacuum was \$29,052, to make street related repairs was \$19,900, and electrical infrastructure repairs were \$728. CSX Transportation issued settlement checks to the

VILLAGE OF TONTOGANY  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)

Village to pay these costs.

**10. RELATED PARTY TRANSACTION**

Contrary to the requirements of the Revised Code a Council member did not abstain from voting on approving contracts and expenditures to his son. The Village made payments totaling \$6,821 and \$6,613 in 2015 and 2014, respectively, to his son.



# 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 cash balances, receipts, and disbursements by fund type of the Village of Tontogany, Wood County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated October 10, 2016 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant

agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-002.

***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 10, 2016

**VILLAGE OF TONTOGANY  
WOOD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

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

**FINDING NUMBER 2015-001**

**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.

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 Fund as it is the only fund with a positive unassigned fund balance.

The 2015 and 2014 annual appropriation measures for the General Fund were adopted on December 15, 2014 and December 2, 2013. Total appropriations for both measures exceeded estimated receipts as follows:

	2015	2014
Estimated Receipts	\$151,865	\$143,087
Appropriations	183,522	172,593
Deficit	(31,657)	(29,506)
Posted	183,522	172,593
Difference	\$151,865	\$143,087

The amounts of the deficit noted above should have been recognized as assigned for subsequent year’s appropriations instead of the entire appropriation.

Adjustments were recorded to the 2015 and 2014 financial statements to change the above differences in fund balance classification.

The Village lacked a policy regarding financial review which contributed to this material posting error occurring without detection. Also, the Village failed to properly implement the provisions of Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions for the years ended December 31, 2015 and 2014. The failure to record accurate financial activity on the financial statements and in the notes and lack of appropriate Council review and approval could result in material misstatements and inaccurate financial reporting.

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.

## FINDING NUMBER 2015-002

### Noncompliance Citation

**Ohio Rev. Code § 2921.42(A)(1)** provides no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest. **Ohio Rev. Code § 2921.42(H)** provides that any public contract in which a public official, a member of the public official's family, or any of the public official's business associates has an interest in violation of this section is void and unenforceable.

John Heckerman, in his capacity as a council member of the Village, approved expenditures to Josh Heckerman totaling \$6,821 and \$6,613 in 2015 and 2014, respectively. Josh Heckerman is the son of John Heckerman. There is no evidence John Heckerman abstained from voting on the contract or the payments to his son.

We recommend council members abstain from voting on contracts or payments to members of their family.

This matter will be referred to the Ohio Ethics Commission for their consideration.

### Officials' Response:

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

**VILLAGE OF TONTOGANY  
WOOD COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Material weakness for failing to record "on behalf of" grants/loans	Corrected	
2013-002	Material weakness for incorrect GASB 54 fund balance reporting	Not corrected and reissued as Finding 2015-001 in this report.	<p>General Fund appropriations were all classified as Assigned.</p> <p>An effort was made to submit accurate reports for 2015. However, the Village did not familiarize themselves with GASB 54.</p> <p>Any deficit difference between appropriations and estimated receipts will be classified as Assigned during the next reporting period.</p>

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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  
NOVEMBER 15, 2016