



**Auditor of State
Betty Montgomery**

VILLAGE OF TONTOGANY
WOOD COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Tontogany, Wood County, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Tontogany, Wood County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and budgetary comparison for the General; Street Construction, Maintenance and Repair; and Income Tax Funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2006, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Betty Montgomery
Auditor of State

September 7, 2006

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of the Village of Tontogany's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$30,855, or 8.18 percent, a significant change from the prior year. The funds most affected by the increase in cash and cash equivalents were the General and Street Construction, Maintenance and Repair Funds.
- The Village's general receipts are primarily property and income taxes. These receipts represent respectively 16.45 and 51.18 percent of the total cash received for governmental activities during the year. Property tax receipts for 2005 changed very little compared to 2004 as there were no significant development within the Village or changes in rates. Village income tax receipts were up slightly during this time, as were receipts from gas tax.
- The Village's business-type activities, the water and electric funds, both had an operating loss. The water line on Kellogg Road is over 50 years old and, due to the extremely cold winter, had numerous line breaks/repairs. Issue 2 money, which was previously denied, will again be applied for to replace this line. The electric fund had the added expense of supplying service to the new high school that is under construction.
- The Village is currently in the process of constructing a new water trunk line to the new high school. Loans were secured from OWDA to support this construction.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, streets and parks. State grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village has two business-type activities, the provision of water and electric. Business-type activities are financed by a fee charged to the customers receiving the service.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General; Street Construction, Maintenance and Repair; and Income Tax Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two enterprise funds, the water and electric funds.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 on a modified cash basis:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	400,075	304,104	704,179
Total Assets	<u>400,075</u>	<u>304,104</u>	<u>704,179</u>
Net Assets			
Restricted for:			
Capital Outlay	11,560		11,560
Other Purposes	120,815		120,815
Unrestricted	275,700	304,104	579,804
Total Net Assets	<u>\$408,075</u>	<u>\$304,104</u>	<u>\$712,179</u>

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

As mentioned previously, net assets of governmental activities increased \$30,855 or 8.18 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- A slight increase in village income tax receipts.
- A slight increase in the interest received from the money market account.
- A slight increase in receipts from gas tax.

Table 2 reflects the changes in net assets in 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

(Table 2)
Changes in Net Assets

	Governmental Activities	Business Type Activities	Total
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$6,010	\$333,840	\$339,850
Operating Grants and Contributions	15,718		15,718
Total Program Receipts	<u>21,728</u>	<u>333,840</u>	<u>355,568</u>
General Receipts:			
Property and Other Local Taxes	17,336		17,336
Income Taxes	53,940		53,940
Other Taxes	1,749		1,749
Grants and Entitlements Not Restricted to Specific Programs	12,401		12,401
Other Debt Proceeds		94,601	94,601
Interest	17,494		17,494
Miscellaneous	2,465		2,465
Total General Receipts	<u>105,385</u>	<u>94,601</u>	<u>199,986</u>
Total Receipts	<u>127,113</u>	<u>428,441</u>	<u>555,554</u>
Disbursements:			
General Government	44,225		44,225
Security of Persons and Property:	22,191		22,191
Public Health Services	224		224
Leisure Time Activities	7,548		7,548
Economic Development	1,480		1,480
Basic Utilities	3,649		3,649
Transportation	6,941		6,941
Water & Electric		514,059	514,059
Total Disbursements	<u>86,258</u>	<u>514,059</u>	<u>600,317</u>
Excess (Deficiency) Before Transfers	40,855	(85,618)	(44,763)
Transfers	(10,000)	10,000	0
Increase (Decrease) in Net Assets	<u>30,855</u>	<u>(75,618)</u>	<u>(44,763)</u>
Net Assets, January 1, 2005	<u>377,220</u>	<u>379,722</u>	<u>756,942</u>
Net Assets, December 31, 2005	<u>\$408,075</u>	<u>\$304,104</u>	<u>\$712,179</u>

Program receipts represent 64.00 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and charges to customers for water and electric services.

General receipts represent 36.00 percent of the Village's total receipts, and of this amount, 36.52 percent are local taxes. OWDA loan proceeds account for 47.30 percent of general receipts. State grants and entitlements and interest income make up a majority of the balance of the Village's general receipts (14.95 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the fiscal and income tax departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police protection; Leisure Time Activities are the costs of maintaining the parks; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and security of persons and property, which account for 51.27 and 25.73 percent of all governmental disbursements, respectively. Leisure Time Activities and Transportation represent a majority of the remaining cost, about 16.80 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$44,225	\$43,855
Security of Persons and Property	22,191	19,599
Public Health Services	224	224
Leisure Time Activities	7,548	7,548
Economic Development	1,480	1,360
Basic Utilities	3,649	2,953
Transportation	6,941	(11,009)
Total Expenses	\$86,258	\$64,530

The dependence upon property and income tax receipts is apparent as over 74.81 percent of governmental activities are supported through these general receipts.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Business-type Activities

The water operation lost money due to the many line breaks in the Kellogg Road line, which is over 50 years old. The Village had engineers examine the line and their advice to the Village was to replace the line. Issue 2 money was applied for, but was denied. The Village is in the process of re-applying for this money. The electric fund also lost money due to a rate increase from Municipal Utilities that was not passed on to the customers. The Village also had to supply new electric services to the high school building that is under construction. This property had been recently annexed into the Village.

The Village's Funds

Total governmental funds had receipts of \$127,113 and disbursements of \$86,258. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$13,090 as the result of increased revenues with expenditures remaining consistent from prior year. The Street Construction, Maintenance and Repair; Income Tax; and Other Governmental Funds' fund balance increased by \$12,628, \$2,291, and \$2,846, respectively.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Village amended its General Fund budget (appropriations) to reflect changing circumstances. There was no change between Original and Final budgeted receipts. Actual receipts exceeded Final budgeted receipts.

Final disbursements were budgeted at \$86,475 while actual disbursements were \$75,959. Although receipts exceeded expectations, appropriations were not increased as significantly. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$10,615 for 2005.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure for reporting purposes.

Debt

At December 31, 2005, the Village's outstanding debt included an OWDA loan for \$22,500 (loan # 3925), and an OWDA loan for \$79,601. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sheryl S. Wallace, Fiscal Officer, Village of Tontogany, 18545 Main Street, P.O. Box 238, Tontogany, Ohio 43565-0238.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

*Statement of Net Assets - Modified Cash Basis
December 31, 2005*

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$408,075</u>	<u>\$304,104</u>	<u>\$712,179</u>
<i>Total Assets</i>	<u><u>\$408,075</u></u>	<u><u>\$304,104</u></u>	<u><u>\$712,179</u></u>
Net Assets			
Restricted for:			
Capital Projects	\$11,560		\$11,560
Other Purposes	120,815		120,815
Unrestricted	<u>275,700</u>	<u>304,104</u>	<u>579,804</u>
<i>Total Net Assets</i>	<u><u>\$408,075</u></u>	<u><u>\$304,104</u></u>	<u><u>\$712,179</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF TONTOGANY
WOOD COUNTY**

*Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$44,225	\$370		
Security of Persons and Property	22,191	2,592		
Public Health Services	224			
Leisure Time Activities	7,548			
Community Environment	1,480	120		
Basic Utility Services	3,649		\$696	
Transportation	6,941	2,928	15,022	
Interest and Fiscal Charges				
<i>Total Governmental Activities</i>	86,258	6,010	15,718	
Business Type Activity				
Water	233,976	122,651		
Electric	280,083	211,189		
<i>Total Business Type Activities</i>	514,059	333,840		
Total	\$600,317	\$339,850	\$15,718	

General Receipts

Property Taxes Levied for:

- General Purposes
- Municipal Income Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Other Taxes
- Other Debt Proceeds
- Interest
- Miscellaneous

Total General Receipts

Transfers

Total General Receipts and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$43,855)		(\$43,855)
(19,599)		(19,599)
(224)		(224)
(7,548)		(7,548)
(1,360)		(1,360)
(2,953)		(2,953)
11,009		11,009
(64,530)		(64,530)
	(\$111,325)	(111,325)
	(68,894)	(68,894)
	(180,219)	(180,219)
(64,530)	(180,219)	(244,749)
17,336		17,336
53,940		53,940
12,401		12,401
1,749		1,749
	94,601	94,601
17,494		17,494
2,465		2,465
105,385	94,601	199,986
(10,000)	10,000	
95,385	104,601	199,986
30,855	(75,618)	(44,763)
377,220	379,722	756,942
\$408,075	\$304,104	\$712,179

**VILLAGE OF TONTOGANY
WOOD COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005*

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Income Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$275,700	\$86,394	\$7,389	\$38,592	\$408,075
<i>Total Assets</i>	<u>\$275,700</u>	<u>\$86,394</u>	<u>\$7,389</u>	<u>\$38,592</u>	<u>\$408,075</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$2,475			\$200	\$2,675
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	273,225				273,225
Special Revenue Funds		86,394	7,389	26,832	120,615
Capital Projects Funds				11,560	11,560
<i>Total Fund Balances</i>	<u>\$275,700</u>	<u>\$86,394</u>	<u>\$7,389</u>	<u>\$38,592</u>	<u>\$408,075</u>

See accompanying notes to the basic financial statements

**VILLAGE OF TONTOGANY
WOOD COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005*

	General	Street Construction, Maintenance and Repair	Income Tax	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal Income Taxes			\$53,940		\$53,940
Property and Other Local Taxes	20,290				20,290
Special Assessments				2,592	2,592
Fines, Licenses and Permits	2,213				2,213
Intergovernmental	10,169	15,022		2,928	28,119
Interest	16,749	650		95	17,494
Miscellaneous	2,465				2,465
<i>Total Receipts</i>	<u>51,886</u>	<u>15,672</u>	<u>53,940</u>	<u>5,615</u>	<u>127,113</u>
Disbursements					
Current:					
General Government	37,576		5,815		43,391
Security of Persons and Property	21,082			1,109	22,191
Public Health Services	224				224
Leisure Time Activities	7,548				7,548
Community Environment	1,480				1,480
Basic Utility Services	3,649				3,649
Transportation	1,925	3,300		1,716	6,941
<i>Total Disbursements</i>	<u>73,484</u>	<u>3,300</u>	<u>5,815</u>	<u>2,825</u>	<u>85,424</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(21,598)</u>	<u>12,372</u>	<u>48,125</u>	<u>2,790</u>	<u>41,689</u>
Other Financing Sources (Uses)					
Transfers In	45,000	256		56	45,312
Transfers Out	(10,312)		(45,000)		(55,312)
Other Financing Uses			(834)		(834)
<i>Total Other Financing Sources (Uses)</i>	<u>34,688</u>	<u>256</u>	<u>(45,834)</u>	<u>56</u>	<u>(10,834)</u>
<i>Net Change in Fund Balances</i>	13,090	12,628	2,291	2,846	30,855
<i>Fund Balances Beginning of Year</i>	<u>262,610</u>	<u>73,766</u>	<u>5,098</u>	<u>35,746</u>	<u>377,220</u>
<i>Fund Balances End of Year</i>	<u>\$275,700</u>	<u>\$86,394</u>	<u>\$7,389</u>	<u>\$38,592</u>	<u>\$408,075</u>

See accompanying notes to the basic financial statements

**VILLAGE OF TONTOGANY
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$4,944	\$4,944	\$20,290	\$15,346
Fines, Licenses and Permits	1,950	1,950	2,213	263
Intergovernmental	10,135	10,135	10,169	34
Interest	5,900	5,900	16,749	10,849
Miscellaneous			2,465	2,465
<i>Total receipts</i>	<u>22,929</u>	<u>22,929</u>	<u>51,886</u>	<u>28,957</u>
Disbursements				
Current:				
General Government	42,074	43,609	37,576	6,033
Security of Persons and Property	22,413	22,413	22,846	(433)
Public Health Services	252	252	224	28
Leisure Time Activities	10,000	10,000	7,548	2,452
Community Environment	1,480	1,480	1,480	
Basic Utility Services	5,146	5,221	4,360	861
Transportation	3,500	3,500	1,925	1,575
<i>Total Disbursements</i>	<u>84,865</u>	<u>86,475</u>	<u>75,959</u>	<u>10,516</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(61,936)</u>	<u>(63,546)</u>	<u>(24,073)</u>	<u>39,473</u>
Other Financing Sources (Uses)				
Transfers In	55,800	55,800	45,000	(10,800)
Transfers Out			(10,312)	(10,312)
<i>Total Other Financing Sources (Uses)</i>	<u>55,800</u>	<u>55,800</u>	<u>34,688</u>	<u>(21,112)</u>
<i>Net Change in Fund Balance</i>	(6,136)	(7,746)	10,615	18,361
<i>Fund Balance Beginning of Year</i>	256,137	256,137	256,137	
Prior Year Encumbrances Appropriated	6,473	6,473	6,473	
<i>Fund Balance End of Year</i>	<u>\$256,474</u>	<u>\$254,864</u>	<u>\$273,225</u>	<u>\$18,361</u>

See accompanying notes to the basic financial statements

**VILLAGE OF TONTOGANY
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$12,100	\$12,100	\$15,022	\$2,922
Interest	400	400	650	250
<i>Total receipts</i>	12,500	12,500	15,672	3,172
Disbursements				
Current:				
Transportation	7,824	7,824	3,300	4,524
Capital Outlay	40,000	40,000		40,000
<i>Total Disbursements</i>	47,824	47,824	3,300	44,524
<i>Excess of Receipts Over (Under) Disbursements</i>	(35,324)	(35,324)	12,372	47,696
Other Financing Sources				
Transfers In			256	256
<i>Net Change in Fund Balance</i>	(35,324)	(35,324)	12,628	47,952
<i>Fund Balance Beginning of Year</i>	73,766	73,766	73,766	
<i>Fund Balance End of Year</i>	\$38,442	\$38,442	\$86,394	\$47,952

See accompanying notes to the basic financial statements

**VILLAGE OF TONTOGANY
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Income Tax Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$50,000	\$51,000	\$53,940	\$2,940
Disbursements				
Current:				
General Government	5,890	5,890	5,815	75
<i>Excess of Receipts Over Disbursements</i>	44,110	45,110	48,125	3,015
Other Financing Uses				
Transfers Out	(45,000)	(45,000)	(45,000)	
Other Financing Uses	(1,500)	(1,500)	(834)	666
<i>Total Other Financing Uses</i>	(46,500)	(46,500)	(45,834)	666
<i>Net Change in Fund Balance</i>	(2,390)	(1,390)	2,291	3,681
<i>Fund Balance Beginning of Year</i>	5,098	5,098	5,098	
<i>Fund Balance End of Year</i>	<u>\$2,708</u>	<u>\$3,708</u>	<u>\$7,389</u>	<u>\$3,681</u>

See accompanying notes to the basic financial statements

**VILLAGE OF TONTOGANY
WOOD COUNTY**

*Statement of Fund Net Assets - Modified Cash Basis
Enterprise Funds
December 31, 2005*

	Business-Type Activities		
	Water	Electric	Total Enterprise Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$61,588	\$242,516	\$304,104
Investments			
<i>Total Assets</i>	\$61,588	\$242,516	\$304,104
Net Assets			
Unrestricted	\$61,588	\$242,516	\$304,104

See accompanying notes to the basic financial statements

**VILLAGE OF TONTOGANY
WOOD COUNTY**

*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Enterprise Funds
For the Year Ended December 31, 2005*

	Business-Type Activities		
	Water	Electric	Total Enterprise Funds
Operating Receipts			
Charges for Services	\$122,651	\$211,189	\$333,840
Operating Disbursements			
Purchased Services			
Personal Services	9,450	7,301	16,751
Fringe Benefits	1,627	1,240	2,867
Contractual Services	204,292	260,855	465,147
Materials and Supplies	15,277	1,726	17,003
Other	830		830
<i>Total Operating Disbursements</i>	231,476	271,122	502,598
<i>Operating Loss</i>	(108,825)	(59,933)	(168,758)
Non-Operating Receipts (Disbursements)			
Other Debt Proceeds	94,601		94,601
Capital Outlay		(8,961)	(8,961)
Principal Payments	(2,500)		(2,500)
<i>Loss before Transfers</i>	(16,724)	(68,894)	(85,618)
Transfers In	10,000		10,000
<i>Change in Net Assets</i>	(6,724)	(68,894)	(75,618)
<i>Net Assets Beginning of Year</i>	68,312	311,410	379,722
<i>Net Assets End of Year</i>	\$61,588	\$242,516	\$304,104

See accompanying notes to the basic financial statements

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1 – REPORTING ENTITY

The Village of Tontogany, Wood County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and electric utilities, maintenance of Village roads and bridges, park operations, and contracts with the Wood County Sheriff's Office for police protection. The Village contracts with Washington Township to receive fire protection services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's only major governmental funds are the General Fund; Street Construction, Maintenance and Repair Fund; and Income Tax Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Street Construction, Maintenance and Repair Fund receive gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets. The Income Tax Fund is used to account for local self-assessed taxes on Village residents. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and electric funds.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Electric Fund - The electric fund accounts for the provision of electric services to the residents and commercial users within the Village.

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the Village invested in a money market savings account, which is reported at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$16,749 which includes \$9,155 assigned from other Village funds.

F. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

I. Long-Term Obligations

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for street construction, maintenance and repair.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

L. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

There are no adjustments to beginning fund balances since the basis of accounting has not changed. The Village's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities and the fund statements that provide a more detailed level of financial information.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general; street construction, maintenance and repair; and income tax funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$2,475 for the general fund.

NOTE 5 – DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS – (CONTINUED)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$656,113 of the Village's bank balance of \$756,113 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 6 – INCOME TAXES

The Village levies a one percent income tax whose proceeds are transferred into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the one percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 7 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 7 – PROPERTY TAXES – (CONTINUED)

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005, was \$1.20 mills per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$4,029,830
Agriculture	1,620
Commercial/Industrial/Mineral	415,760
Public Utility Property	
Real	3,310
Personal	80,080
Tangible Personal Property	165,989
Total Assessed Value	<u>\$4,696,589</u>

NOTE 8 – RISK POOL MEMBERSHIP

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 Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

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

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 8 – RISK POOL MEMBERSHIP – (CONTINUED)

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, 2005 and 2004 (the latest information available):

	<u>2005</u>	<u>2004</u>
Assets	\$ 2,241,661	\$2,309,178
Liabilities	<u>(3,457,720)</u>	<u>(3,343,299)</u>
Accumulated deficit	<u>(\$1,216,059)</u>	<u>(\$1,034,121)</u>

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional plan for the years ended December 31, 2005, 2004, and 2003, were \$3,277, \$3,096, and \$2,195 respectively. The full amount has been contributed for 2005, 2004 and 2003.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 10 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 – DEBT

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Business-type Activities</u>						
2003 OWDA Loan # 3925	0%	\$10,000	\$15,000	\$2,500	\$22,500	\$2,500
2004 OWDA Loan # 4210	5.1%		79,601		79,601	
Total Business-type Activities		<u>\$10,000</u>	<u>\$94,601</u>	<u>\$2,500</u>	<u>\$102,101</u>	<u>\$2,500</u>

The Village entered into a loan agreement (loan # 3925) with the Ohio Water Development Authority (OWDA) on April 24, 2003, for \$25,000 to assist with the costs of preliminary engineering plans for improvements to the drinking water system. Improvements, consisting of a water main line, to the water system were necessary due to the construction of a new high school. The principal amount outstanding at December 31, 2005, is \$22,500. The OWDA loan will be repaid in annual installments of \$2,500 over 10 years at 0%.

The Village entered into a loan agreement (loan # 4210) with the Ohio Water Development Authority (OWDA) on September 30, 2004, for \$175,000 at 5.10% for the design of the water main line. The water system project is not completed as of December 31, 2005, and the Village will continue to receive additional OWDA loan proceeds in 2006. The loan is a 5 year loan that will be rolled into the construction loan (# 4529) once the project is complete. See note 13 for more information.

In 2005, the Ohio Public Works Commission (OPWC) approved Loan # CE361 in the amount of \$312,867 in an interest free loan to the Village for the construction of the water main line. As of December 31, 2005, no loan proceeds have been received.

The following is a summary of the Village's future annual debt service requirements:

Year	OWDA Loan # 3925 Principal
2006	\$2,500
2007	2,500
2008	2,500
2009	2,500
2010	2,500
2011 – 2015	10,000
Totals	<u>\$22,500</u>

**VILLAGE OF TONTOGANY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 12 – INTERFUND TRANSFERS

During 2005 the following transfers were made:

Transfers from the General Fund to:	
Major Governmental Fund	\$256
Other Governmental Funds	56
Major Enterprise Fund	<u>10,000</u>
Total Transfers from the General Fund	<u><u>\$10,312</u></u>

The \$10,000 transfer into the Water Fund is part of the \$25,000 OWDA Loan # 3925 that was issued to the Village in August of 2003. The \$256 and \$56 amounts were interest.

NOTE 13 – SUBSEQUENT EVENTS

On June 29, 2006, the Village was approved by the Ohio Water Development Authority (OWDA) for a loan (#4529) in the amount of \$1,192,500 to be used to construct a new water main line. This loan will also pay off OWDA Loan # 4210 (see note 11). On July 1, 2006, the Village was awarded a grant in the amount of \$75,000 from the Ohio Public Works Commission (OPWC) to pay the interest on this loan during the construction process. On June 30, 2006, the Village entered into a contract with Edward Kelly & Sons Inc. for the construction of the new water main.



**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Tontogany, Wood County (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 7, 2006, wherein we noted that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We also noted the Village prepares its financial statements on the modified cash basis of accounting. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 7, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated September 7, 2006, we reported another matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 7, 2006



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

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 5, 2006**