

***VILLAGE OF PORT WASHINGTON  
TUSCARAWAS COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of Port Washington  
107 East Main Street  
Port Washington, Ohio 43837

We have reviewed the *Report of Independent Accountants* of the Village of Port Washington, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Port Washington is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

July 11, 2007

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**VILLAGE OF PORT WASHINGTON  
TUSCARAWAS COUNTY  
For Years Ending December 31, 2006 and 2005**

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*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Port Washington  
Tuscarawas County  
Village Hall  
Port Washington, Ohio 43837

To the Village Council:

We have audited the accompanying financial statements of the Village of Port Washington, Tuscarawas County, Ohio as and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Port Washington, Tuscarawas County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2007, 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 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.

***Charles E. Harris & Associates, Inc.***

June 1, 2007

VILLAGE OF PORT WASHINGTON  
TUSCARAWAS COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES -  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<b>Governmental Fund Types</b>			<b>(Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total</b>
Receipts:				
Property and Other Local Taxes	\$ 21,835	\$ 4,296	\$ -	\$ 26,131
Municipal Income Taxes	42,625	-	10,017	52,642
Intergovernmental	20,829	32,462	-	53,291
Fines, Licenses and Permits	16,615	-	-	16,615
Interest	4,396	-	-	4,396
Other	5,393	-	-	5,393
<b>Total Receipts</b>	<b>111,693</b>	<b>36,758</b>	<b>10,017</b>	<b>158,468</b>
Disbursements:				
Security of Persons and Property	24,174	-	-	24,174
General Government	63,404	-	-	63,404
Public Health Services	103	-	-	103
Community Environment	3,202	3,201	-	6,403
Transportation	-	47,284	-	47,284
Basic Utilities	5,979	-	-	5,979
Capital Outlay	-	-	12,555	12,555
<b>Total Disbursements</b>	<b>96,862</b>	<b>50,485</b>	<b>12,555</b>	<b>159,902</b>
Receipts over(under) disbursements	14,831	(13,727)	(2,538)	(1,434)
Fund Balance 1/1/2006	(5,939)	51,229	74,161	119,450
<b>Fund Balance 12/31/2006</b>	<b>\$ 8,892</b>	<b>\$ 37,502</b>	<b>\$ 71,623</b>	<b>\$ 118,016</b>

See accompanying Notes to the Financial Statements.



VILLAGE OF PORT WASHINGTON  
TUSCARAWAS COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Governmental Fund Types</b>			<b>(Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total</b>
Receipts:				
Property and Other Local Taxes	\$ 21,571	\$ 4,432	\$ -	\$ 26,003
Municipal Income Taxes	38,060	-	9,016	47,076
Intergovernmental	22,125	29,893	-	52,018
Fines, Licenses and Permits	7,323	-	-	7,323
Interest	3,205	-	-	3,205
Other	12,427	-	-	12,427
<b>Total Receipts</b>	<b>104,712</b>	<b>34,325</b>	<b>9,016</b>	<b>148,052</b>
Disbursements:				
Security of Persons and Property	22,557	-	-	22,557
General Government	79,555	-	-	79,555
Public Health Services	205	3,423	-	3,628
Community Environment	3,349	3,350	-	6,699
Transportation	-	13,235	-	13,235
Basic Utilities	5,725	-	-	5,725
Capital Outlay	-	-	5,343	5,343
<b>Total Disbursements</b>	<b>111,391</b>	<b>20,008</b>	<b>5,343</b>	<b>136,742</b>
Receipts over(under) disbursements	(6,679)	14,317	3,673	11,310
Fund Balance 1/1/2005	740	36,912	70,488	108,140
Fund Balance 12/31/2005	<u>\$ (5,939)</u>	<u>\$ 51,229</u>	<u>\$ 74,161</u>	<u>\$ 119,450</u>

See accompanying Notes to the Financial Statements.

**VILLAGE OF PORT WASHINGTON  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Port Washington, (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including park operations, cemetery maintenance and police services. The Village contracts with the Delaware Valley Fire District to provide fire protection services and Tri-County Ambulance District to provide emergency medical services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. CASH

The Village maintains cash deposits in a checking account.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from

**VILLAGE OF PORT WASHINGTON  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue Fund:

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

Capital Project: This fund is used to account for resources to be used for the acquisition or construction of capital assets. The Village has the following significant Capital Project Fund:

*Construction Fund* – This fund receives proceeds from income tax revenue to finance various road construction projects in the Village.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the

**VILLAGE OF PORT WASHINGTON  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue.

Budget receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2006 and 2005. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the fund level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

**VILLAGE OF PORT WASHINGTON  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. PROPERTY, PLANT AND EQUIPMENT

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2005</u>	<u>2006</u>	
Demand deposits	<u>\$ 119,450</u>	<u>\$ 118,016</u>	

Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village.

Contrary to Ohio law, the General Fund had a negative fund cash balance at the December 31, 2005.

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2004.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as Intergovernmental Receipts.

**VILLAGE OF PORT WASHINGTON  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005**

3. PROPERTY TAX - (Continued)

Public utilities are also taxed on personal and real property located within the Village. The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The Tuscarawas County Treasurer collects property tax on behalf of all taxing Villages within the county. The Tuscarawas County Auditor periodically remits to the taxing Village their portions of the taxes collected.

4. BUDGETARY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

<u>2006 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 86,701	\$ 111,693	\$ 24,992
Special Revenue Funds	33,400	36,758	3,358
Capital Projects Fund	9,500	10,017	517

<u>2006 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$108,780	\$ 96,862	\$ 11,918
Special Revenue Funds	52,600	50,485	2,115
Capital Projects Fund	-0-	12,555	(12,555)

<u>2005 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 84,150	\$104,712	\$ 20,562
Special Revenue Funds	32,950	34,325	1,375
Capital Projects Fund	18,000	9,016	(8,984)

<u>2005 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 92,613	\$111,391	\$(18,778)
Special Revenue Funds	42,750	20,008	22,742
Capital Projects Fund	-0-	5,343	(5,343)

**VILLAGE OF PORT WASHINGTON  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005**

4. BUDGETARY – (Continued)

Contrary to Ohio law, expenditures for 2006 and 2005 were not always certified by the Fiscal Officer prior to incurring the obligation. In addition, appropriations exceeded estimated resources in the General Fund for 2006 & 2005. Also expenditures exceeded appropriations contrary to Ohio law in the General Fund during 2005, in the Capital Projects Construction Fund during 2006 and 2005, and the Special Revenue Funds State Highway Fund during 2006, the Cemetery Fund during 2006 and the Permissive Tax Fund during 2006.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. RETIREMENT SYSTEM

Substantially all Village officials and employees belong to the Ohio Public Employee Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code provides statutory authority for employee and employer contributions. OPERS participants contributed 9% of their wages in 2006 and 8.5% of their wages in 2005. The Village contributed an amount equal to 13.70% of their wages in 2006 and 13.55% in 2005. The Village has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**VILLAGE OF PORT WASHINGTON  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005**

8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.



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*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

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

Village of Port Washington  
Tuscarawas County  
Village Hall  
Port Washington, Ohio 43837

To the Village Council:

We have audited the financial statements of the Village of Port Washington, Tuscarawas County (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 1, 2007, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings, items 2006-VPWTC-001 and 002 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed several instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as item numbers 2006-VPWTC-002 thru 2006-VPWTC-006.

We also noted certain matters that we have reported to management of the Village in a separate letter dated June 1, 2007.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management and Council and is not intended to be and should not be used by anyone other than these specified parties.

***Charles E. Harris and Associates, Inc.***

June 1, 2007

**VILLAGE OF PORT WASHINGTON  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 and 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS</b>
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**FINDING NUMBER 2006-VPWTC-001, Material Weakness**

**Receipts and Appropriation Ledgers**

The following weaknesses were noted in the Village's recording of receipts and disbursements and budgetary information:

- Certified estimated receipts were not posted to the Village's receipts ledgers and appropriations were not posted to the Village's appropriations ledger.
- Receipts and disbursements recorded in the cash journal were not always carried forward to the receipt and appropriation ledger.
- Budget to Actual statements were not prepared and reviewed by Council.

This lack of proper recording, could lead to inaccurate reporting of revenues and disbursements. In addition, the comparison of budget to actual activity is crucial to management's ability to monitor the progress of expected revenue collections, and availability of monies to spend.

The Fiscal Officer has agreed to implement the above recommendations.

**FINDING NUMBER 2004-VPWTC-002, Material Noncompliance and Material Weakness**

Ohio Revised Code Section 5705.41 (D), requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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

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

VILLAGE OF PORT WASHINGTON  
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005

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

**FINDING NUMBER 2006-VPWTC-002**

(Continued)

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the Village.

Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2006 and 2005, the Fiscal Officer did not certify any expenditure prior to incurring the obligation. It was also found that neither of the two exceptions noted above were utilized for the items to be found in noncompliance.

We recommend the Village’s management implement procedures to gain fiscal control over expenditures. Purchase orders containing the required certification should be utilized to certify the availability of funds prior to commitments being incurred. Appropriations should then be encumbered and balances maintained of unencumbered appropriations. Additional purchase orders should be issued only after the fiscal officer determines that sufficient unencumbered appropriations exist in the amount of the requested purchase.

The Fiscal Officer will review budgetary requirements, including purchasing.

**FINDING NUMBER 2006-VPWTC-003, Material Noncompliance**

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor’s certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

**VILLAGE OF PORT WASHINGTON  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2006-VPWTC-003  
(Continued)**

During the year-ended December 31, 2006, total appropriations exceeded total estimated resources at year-end as follows:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$ 80,762	\$ 108,780	\$ (28,018)

During the year-ended December 31, 2005, total appropriations exceeded total estimated resources at year-end as follows:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$ 84,891	\$ 92,613	\$ (7,722)

Village Council should monitor appropriations versus estimated resources to help avoid overspending.

The Fiscal Officer will monitor estimated resources to avoid appropriating more than is legally available.

**FINDING NUMBER 2006-VPWTC-004, Material Noncompliance**

Ohio Rev. Code Section 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

The Village's legal level of control is the at the fund level. We noted the following funds had expenditures that exceeded appropriations at the fund level at December 31, 2006:

Fund	Approved Appropriations	Expenditures	Variance
Special Revenue Funds:			
State Highway Fund	\$ 500	\$ 892	\$ (392)
Cemetery Fund	4,000	4,950	(950)
Permissive Tax Fund	10,000	15,000	(5,000)
Capital Project Fund:			
Construction Fund	-0-	12,555	(12,555)

VILLAGE OF PORT WASHINGTON  
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-VPWTC-004  
(Continued)

We noted the following funds had expenditures that exceeded appropriations at the fund level at December 31, 2005:

Fund	Approved Appropriations	Expenditures	Variance
General Fund	\$ 92,613	\$ 111,391	\$ (18,778)
Capital Project Funds:			
Construction Fund	-0-	5,343	(5,343)

We recommend Village Council and the Fiscal Officer compare expenditures to appropriations periodically. If additional appropriations are needed, then Council and the Clerk should take the necessary steps to adopt supplemental appropriations, if possible to prevent expenditures from exceeding appropriations.

The Fiscal Officer will monthly prepare budget versus actual expenditures for Council review.

FINDING NUMBER 2006-VPWTC-005, Material Noncompliance

**Ohio Rev. Code Section 5705.10** states that money paid into a fund must be used only for the purposes for which such fund has been established. A negative balance would indicate that money from one fund was used to cover the expenses of another fund.

The General Fund had a negative balance (\$5,939) at December 31, 2005.

Fund activity should be monitored to prevent future expenditures in excess of available revenue. The General Fund finished the year December 31, 2006 with a balance of \$8,892, which indicates a better financial position.

The Fiscal Officer will continue to monitor Village finances to prevent any funds from overspending.

FINDING NUMBER 2006-VPWTC-006, Material Noncompliance

**Ohio Constitution, Article XII, Section 5a** states that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. The Fiscal Officer made investment of pooled cash from various funds, including the Street Construction Maintenance and Repair, and the State Highway Improvement Fund, and did not distribute the interest earned in accordance with the above requirements. The Village should have allocated the following amounts:

VILLAGE OF PORT WASHINGTON  
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-VPWTC-006  
(Continued)

<u>Funds Entitled to Interest</u>	<u>2006</u>	<u>2005</u>	<u>Total</u>
Street Construction Maintenance and Repair Fund	\$ 879	\$ 769	\$1,648
State Highway Improvement Fund	<u>352</u>	<u>224</u>	<u>576</u>
Total	<u>\$1,231</u>	<u>\$ 993</u>	<u>\$2,224</u>

This is a repeat comment from Management Letter issued for years ending December 31, 2004 and 2003.

We recommend that Fiscal Officer allocate future interest earned to the Street Construction Maintenance and Repair Fund and the State Highway Improvement Fund.

The Fiscal Officer will develop a methodology for allocating interest earned to the proper funds.

**VILLAGE OF PORT WASHINGTON  
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-VPWTC-001	Village Council did not monitor and sign monthly financial reports.	Yes	Corrected
2004-VPWTC-002	Village was incomplete in recording receipts and disbursements and budgetary information.	No	Repeated as finding # 2006-VPWTC-001
2004-VPWTC-003	Village did not certify the availability of funds prior to incurring the obligation for expenditures.	No	Repeated as finding # 2006-VPWTC-002
2004-VPWTC-004	Village appropriations exceeded estimated resources.	No	Repeated as finding # 2006-VPWTC-003.
2004-VPWTC-005	Village had disbursements in excess of appropriations.	No	Repeated as finding # 2006-VPWTC-004
2004-VPWTC-006	Village had actual receipts that were less than estimated, and did not obtain an amended certificate of resources.	Yes	Corrected





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF PORT WASHINGTON**

**TUSCARAWAS 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  
JULY 24, 2007**