



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 9, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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VILLAGE OF PORT WILLIAM
CLINTON COUNTY

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**Auditor of State
Betty Montgomery**

Village of Port William
Clinton County
227 Main Street
Port William, Ohio 45164

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Betty Montgomery
Auditor of State

December 18, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Port William
Clinton County
227 Main Street
Port William, Ohio 45164

To the Village Council:

We have audited the accompanying financial statements of Village of Port William, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 this 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 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, 2005 and 2004, or its changes in financial position or cash flow of its proprietary fund for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Port William, Clinton County, as of December 31, 2005 and 2004, 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, 2005 and 2004. 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 December 18, 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.



Betty Montgomery
Auditor of State

December 18, 2006

**VILLAGE OF PORT WILLIAM
CLINTON 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**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property Tax and Other Local Taxes	\$11,952	\$0	\$0	\$11,952
Intergovernmental Receipts	8,233	28,770	43,204	80,207
Charges for Services		85,000		85,000
Fines, Licenses, and Permits	585			585
Earnings on Investments	501			501
Miscellaneous	32,845	51,794		84,639
	<u>54,116</u>	<u>165,564</u>	<u>43,204</u>	<u>262,884</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	11,262	92,477		103,739
Basic Utility Services	3,950			3,950
Transportation		2,805		2,805
General Government	30,268			30,268
Capital Outlay			43,204	43,204
	<u>45,480</u>	<u>95,282</u>	<u>43,204</u>	<u>183,966</u>
Total Cash Disbursements	<u>45,480</u>	<u>95,282</u>	<u>43,204</u>	<u>183,966</u>
Total Receipts Over Disbursements	<u>8,636</u>	<u>70,282</u>	<u>0</u>	<u>78,918</u>
Other Financing Receipts and (Disbursements):				
Other Financing Sources		586		586
Transfers-Out	(2,500)	0	0	(2,500)
	<u>(2,500)</u>	<u>586</u>	<u>0</u>	<u>(1,914)</u>
Total Other Financing Receipts/(Disbursements)	<u>(2,500)</u>	<u>586</u>	<u>0</u>	<u>(1,914)</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	6,136	70,868	0	77,004
Fund Cash Balances, January 1	(3,723)	67,626	0	63,903
	<u>(3,723)</u>	<u>67,626</u>	<u>0</u>	<u>63,903</u>
Fund Cash Balances, December 31	<u>\$2,413</u>	<u>\$138,494</u>	<u>\$0</u>	<u>\$140,907</u>
Reserves for Encumbrances, December 31	<u>\$9,270</u>	<u>\$4,554</u>	<u>\$0</u>	<u>\$13,824</u>

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

VILLAGE OF PORT WILLIAM
CLINTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

Non-Operating Cash Disbursements:	
Debt Service	<u>\$2,500</u>
Total Non-Operating Cash Disbursements	<u>2,500</u>
Disbursements Before Interfund Transfers	(2,500)
Transfers-In	<u>2,500</u>
Net Receipts Over/(Under) Disbursements	0
Fund Cash Balances, January 1	<u>34</u>
Fund Cash Balances, December 31	<u><u>\$34</u></u>
Reserve for Encumbrances, December 31	<u><u>\$0</u></u>

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

**VILLAGE OF PORT WILLIAM
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$10,546	\$0	\$10,546
Intergovernmental Receipts	9,900	19,668	29,568
Charges for Services		40,000	40,000
Fines, Licenses, and Permits	475		475
Earnings on Investments	214		214
Miscellaneous	5,400	1,120	6,520
	<u>26,535</u>	<u>60,788</u>	<u>87,323</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	6,019	40,819	46,838
Basic Utility Services	366		366
Transportation		2,437	2,437
General Government	22,348		22,348
	<u>28,733</u>	<u>43,256</u>	<u>71,989</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(2,198)</u>	<u>17,532</u>	<u>15,334</u>
Other Financing Disbursements:			
Transfers-Out	<u>(2,500)</u>	<u> </u>	<u>(2,500)</u>
Total Other Financing Receipts/(Disbursements)	<u>(2,500)</u>	<u>0</u>	<u>(2,500)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements			
	(4,698)	17,532	12,834
Fund Cash Balances, January 1	<u>975</u>	<u>50,094</u>	<u>51,069</u>
Fund Cash Balances, December 31	<u>(\$3,723)</u>	<u>\$67,626</u>	<u>\$63,903</u>

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

VILLAGE OF PORT WILLIAM
CLINTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

Non-Operating Cash Disbursements:	
Debt Service	<u>\$2,500</u>
Total Non-Operating Cash Disbursements	<u>2,500</u>
Disbursements Before Interfund Transfers	(2,500)
Transfers-In	<u>2,500</u>
Net Receipts Over/(Under) Disbursements	0
Fund Cash Balances, January 1	<u>34</u>
Fund Cash Balances, December 31	<u><u>\$34</u></u>

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

**VILLAGE OF PORT WILLIAM
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Port William, Clinton County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides street maintenance, fire and police services.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Deposits

Village funds are pooled in a checking account and certificates of deposit with a local commercial bank. Interest is recognized and recorded when received. The Village values certificates of deposit at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

Fire Fund -This fund receives contract money from other governments to provide fire services.

**VILLAGE OF PORT WILLIAM
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following capital project fund:

Issue II Fund - This fund is used to record the related receipts and expenditures of benefits received for state grant for road project.

4. Enterprise Fund

This fund accounts for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following Enterprise Fund:

Sewer Fund - This fund accounts for the loan payment to OWDA. This fund received loan proceeds for the future wastewater treatment system.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**VILLAGE OF PORT WILLIAM
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	2005	2004
Demand deposits	\$8,000	\$10,000
Certificates of deposit	132,941	53,937
Total deposits	\$140,941	\$63,937

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$22,932	\$54,116	\$31,184
Special Revenue	52,341	166,150	113,809
Capital Projects	43,204	43,204	0
Enterprise	0	2,500	2,500
Total	\$118,477	\$265,970	\$147,493

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,160	\$57,250	(\$8,090)
Special Revenue	96,830	99,836	(3,006)
Capital Projects	43,204	43,204	0
Enterprise	35	2,500	(2,465)
Total	\$189,229	\$202,790	(\$13,561)

**VILLAGE OF PORT WILLIAM
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,073	\$26,535	(\$3,538)
Special Revenue	59,300	60,788	1,488
Enterprise	0	2,500	2,500
Total	\$89,373	\$89,823	\$450

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,000	\$31,233	\$12,767
Special Revenue	94,000	43,256	50,744
Enterprise	35	2,500	(2,465)
Total	\$138,035	\$76,989	\$61,046

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$8,090, in the Street Maintenance Repair Fund by \$3,006 and in the Sewer Fund by \$2,465 during 2005. Budgetary expenditures exceeded appropriation authority in the Sewer Fund by \$2,465 for the year ended December 31, 2004. Also contrary to Ohio law, at December 31, 2004, the General Fund had a cash deficit balance of \$3,723.

The Village did not obtain prior certification of the availability of funds from the fiscal officer for all commitments.

The Village's appropriations exceeded estimated resources contrary to Ohio law.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

**VILLAGE OF PORT WILLIAM
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$7,500	0.00%

The Village received a loan from the Ohio Water Development Authority (OWDA) to be used to assist with the costs of completing the general plan and preparation of a Rural Development application for a new wastewater treatment system. The eligible loan amount for planning was \$25,000.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loan
2006	\$2,500
2007	2,500
2008	2,500
Total	\$7,500

6. RETIREMENT SYSTEMS

Full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village did not make timely or routine payments to OPERS and incurred charges for penalties and interest. The Village should contact OPERS to determine the status of the Village's remittances and to confirm that all officials and employees are correctly enrolled in OPERS.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles.

8. MATERIAL NONCOMPLIANCE

The Village did not properly post receipts in 2005 and 2004 into the established funds as required by Ohio Revised Code, Section 5705.09 and 5705.10.

The Village failed to accurately maintain the Village's books as required by Ohio Revised Code, Section 733.28.

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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 Port William
Clinton County
227 Main Street
Port William, Ohio 45164

To the Village Council:

We have audited the financial statements of the Village of Port William, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated December 18, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also 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 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-001 through 2005-007.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider the reportable condition 2005-001 through 2005-007 listed above to be material weaknesses. In a separate letter to the Village's management dated December 18, 2006, we reported other matters involving internal control over financial reporting which 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-006. In a separate letter to the Village's management dated December 18, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and the 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

December 18, 2006

**VILLAGE OF PORT WILLIAM
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 5705.09(F), provides that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. Monies were not always posted to the particular fund specified by their purpose. Ohio Rev. Code, Section 5705.10, provides that monies paid into any fund shall be used only for the purpose for which such fund is established.

The Village posted property taxes at the net amount instead of the gross amount, intergovernmental receipts were not posted to the Village's UAN system, fire contract receipts were posted twice, intergovernmental receipts were posted to miscellaneous receipts, rental receipts were posted to Charges for Services rather than miscellaneous receipts, debt payments were posted to capital outlay rather than principal and interest payment or not at all, and Homestead and Rollback receipts were posted to taxes rather than intergovernmental receipts. The following table reflects the net effect of the adjustments on the financial statements.

	General Fund	Street Construction Maintenance Fund	Fire Fund
Net Effect of Adjustments on Fund Balance	(\$7,769)	\$1,682	(\$7,875)

Audit adjustments have been posted to the Village's financial records and are reflected in the accompanying financial statements to properly reflect receipts and disbursements of the Village. As a result, the records maintained by the Clerk were not an accurate reflection of all moneys received and expended by the Village. Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Village funds, 2) reduces the Council's ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the financial statements will be misstated.

We recommend the Clerk accurately maintain the accounting records in accordance with the uniform accounting system prescribe by the Auditor of State. The Village should adopt procedures to properly monitor the Village's financial activity.

Officials' Response

No response was received by officials.

FINDING NUMBER 2005-002

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 733.28, states that the village clerk should keep the books of the village, exhibit accurate statements of all moneys received and expended, all property owned by the Village and income derived thereof, and all taxes and assessments. Although the Village Clerk maintained accounting records, the records contained numerous posting errors resulting audit adjustments and reclassifications to the 2004 and 2005 financial statements. In addition, reconciliations were not always performed during the audit period. As a result, the records maintained by the Clerk were not an accurate reflection of all moneys received and expended.

**FINDING NUMBER 2005-002
(Continued)**

Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Village funds, 2) reduces the Councils' ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the Village's financial statements will be misstated.

We recommend the Village Clerk accurately maintain the Village's accounting records in accordance with the uniform accounting system prescribe by the Auditor of State. In addition, all supporting documentation of receipts, expenditures, and bank reconciliations should be maintained. For added accountability, we recommend Council review all bank reconciliations for accuracy and ensure that all reconciling items are justified.

Officials' Response

No response was received by officials.

FINDING NUMBER 2005-003

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. 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 stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that 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.

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 expenditures by the Village.

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

**FINDING NUMBER 2005-003
 (Continued)**

3. 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.

Ninety three percent of the purchases tested were initiated without obtaining the prior certification of the Clerk/Treasurer and were not subsequently approved by the Village within the aforementioned 30 day time period. Failure to properly encumber could result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk/Treasurer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the officials and employees obtain the Clerk/Treasurer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk/Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Village should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response

No response was received by officials.

FINDING NUMBER 2005-004

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following funds had expenditures which exceeded appropriations:

2004	Appropriations	Expenditures	Variance
Enterprise Fund	\$35	\$2,500	(\$2,465)

2005	Appropriations	Expenditures	Variance
General Fund	\$49,160	\$57,250	(\$8,090)
Street Maintenance Fund	0	2,437	(2,437)
Sewer Fund	35	2,500	(2,465)

The management of the Village should monitor the Village's budgetary receipts and expenditures by having the clerk provide budgetary reports at least quarterly to be reviewed and approved by Council. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the Village.

**FINDING NUMBER 2005-004
(Continued)**

Officials' Response

No response was received by officials.

FINDING NUMBER 2005-005

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 5705.10, requires that money paid into any fund shall be used only for the purpose for which such fund is established. At December 31, 2004, the General Fund had a negative fund balance of \$3,723. This deficit balance indicates that cash from other funds was used to pay the obligations of the General Fund. We recommend the Village adopt procedures to properly monitor fund balances. The Village officials should not certify available funds or pay amounts that create deficits.

Officials' Response

No response was received by officials.

FINDING NUMBER 2005-006

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 5705.39, requires a reduction in appropriations be made when the amount of the amended certificate of estimated resources exceeded actual receipts plus certified July 1, fund balances. Additionally, appropriations from each fund shall not exceed the estimated revenue available for expenditure as certified by the County Budget Commission. In 2005, the General Fund had appropriations of \$49,160 which exceeded estimated resources of \$24,828 by \$24,332. In 2004, the General Fund had appropriations of \$44,000 which exceeded estimated resources of \$34,287 by \$9,713. We recommend the Village use due care in monitoring their budgetary documents since these documents are an integral part of the budgetary control process.

Officials' Response

No response was received by officials.

FINDING NUMBER 2005-007

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

**FINDING NUMBER 2005-007
(Continued)**

- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- Monitor activities performed by service organizations.

The small size of the Village does not allow for an adequate segregation of duties. The Clerk processes all the financial record keeping including receipting, posting, and reconciling to the depository. Bookkeeping errors occurred without the detection of management. It is, therefore, important that Council monitor financial activity.

Council was not always aware of their appropriate administrative responsibilities such as reviewing monthly financial records, reviewing minutes and reviewing bills, as a result, the following weaknesses were noted:

- Monthly financial reports such as budget and actual and bank reconciliations were not presented to Council;
- Invoices contained no indication (e.g., initials) that someone had performed a comparison between the items included on the invoices and the items received;
- Invoices were not always attached to the voucher packet;
- The minutes did not include all significant actions taken by Council;
- Expenditures were posted to improper funds;
- Late payment fees were paid on bills.

The lack of timely financial reports and accurate fund balances significantly reduces Council's ability to monitor Village's financial position. In addition, the lack of control over invoices and goods/services received resulted in late payments to the various vendors. This may create an environment which promotes future fraud or inaccurate financial reporting.

To help strengthen the Village's internal control structure and reduce the likelihood of undetected errors, we recommend Village officials and management implement the following controls:

- Monthly budget and actual financial reports be prepared and submitted to Council. This submission should occur prior to the regular Council meetings so that Council members have an opportunity to review the information and ask informed questions at the Council meetings. Discussion of the monthly financial reports should be documented in the minutes;
- When invoices are received, a comparison should be made between the goods/services included on the invoice and the goods/services received. The official/department head which received the goods should perform this comparison and indicate his/her review by initializing the invoice. The initials indicate the goods/services were received and the invoice is approved for payment. Invoices should be attached to all voucher packets;
- Once invoices have been approved for payment, the Clerk/Treasurer should issue the corresponding check and stamp the invoice "Paid." The invoice should be filed with the voucher packet; and

**FINDING NUMBER 2005-007
(Continued)**

- Village checks should be signed by the Clerk/Treasurer and one Council member and written in sequential order. Prior to signing the checks, the Council member should agree the vendor name and amount on the check to the invoice;
- Record voided checks as such and not reassign check number to another expenditure;
- Vouchers packets should be maintained in numerical sequence;
- Council should ensure that bills be paid on a timely basis to avoid late charges;
- Minutes of Council meetings should be prepared, approved, and available for public inspection in a timely manner. The minutes should also include all actions taken by Council during those meetings. For each regular meeting, the Clerk should provide Council members with detailed budget and actual financial statements, cash balances, checks paid, outstanding encumbrances, receipts and bank reconciliations. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer;
- Officials should periodically review the records to determine accuracy and to assure themselves that proper procedures are followed by the fiscal officer.

Officials' Response

No response was received by officials.

**VILLAGE OF PORT WILLIAM
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Illegal expenditures were incurred by the Village. A Finding for Recovery was issued against the former Clerk, Rick Ellis, in the amount of \$55,906.	Yes	Repaid January 31, 2005.
2003-002	Lack of controls over disbursements.	Yes	
2003-003	ORC 733.28 requires the Village to maintain accurate records.	No	Reissued as Finding 2005-002.
2003-004	Receipts were not deposited timely.	No	Partially corrected. Reissued in the Management Letter.
2003-005	ORC 149.351 records were not properly maintained and were unavailable for audit.	No	Partially corrected. Reissued in the Management Letter.
2003-006	ORC 5705.36, 5705.41(B), 5705.10 budgetary violations.	No	Reissued as Finding 2005-004. ORC 5705.10 reissued as Finding 2005-005.
2003-007	ORC 5705.41 (D) The availability of funds was not certified.	No	Reissued as Finding 2005-003.
2003-008	ORC 117.38 for not filing an annual financial report by the required date.	Yes	
2003-009	ORC 5747.06 withholdings were not withheld for State Income Tax or the Wilmington CSD income tax.	Yes	
2003-010	Failure to timely remit withholdings.	No	Partially Corrected. Reissued in the Management Letter.
2003-011	Lack of management controls.	No	Reissued as Finding 2005-007.
2003-012	Supplies were purchased from the local hardware store without obtaining comparable quotes. The store is owned by the Clerk's in-laws.	Yes	



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VILLAGE OF PORT WILLIAM

CLINTON 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
JANUARY 16, 2007**