



**VILLAGE OF PORTAGE
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009



Mary Taylor, CPA
Auditor of State

VILLAGE OF PORTAGE
WOOD COUNTY

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Mary Taylor, CPA
Auditor of State

ACCOUNTANTS' REPORT

Village of Portage
Wood County
110 West Walnut Street
P.O. Box 252
Portage, Ohio 43451-0252

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Portage, Wood County, (the Village) as of and for the years ended December 31, 2009 and 2008, following Ohio Administrative Code § 117-4-02.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

As discussed in Note 10 to the financial statements, the Local Government Services Division of the Auditor of State's office was contacted by the Village regarding the financial difficulties, and began a fiscal analysis under the criteria established in ORC Chapter 118 in April 2009. The Village has been declared in fiscal emergency due to the significant deficit fund balance in the General fund, fulfilling Chapter 118 criteria.

This report is intended solely for the information and use of management, the Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 28, 2010

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**VILLAGE OF PORTAGE
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$13,333		\$13,333
Municipal Income Tax	32,300		32,300
Intergovernmental	8,812	\$23,217	32,029
Special Assessments	8,260		8,260
Fines, Licenses and Permits	68,231	4,622	72,853
Earnings on Investments	1	80	81
Miscellaneous	2,848	149	2,997
	<u>133,785</u>	<u>28,068</u>	<u>161,853</u>
Total Cash Receipts			
	133,785	28,068	161,853
Cash Disbursements:			
Current:			
Security of Persons and Property	100,016		100,016
Public Health Services	407		407
Leisure Time Activities		5,020	5,020
Community Environment	534		534
Transportation		35,997	35,997
General Government	78,468	5,764	84,232
Debt Service:			
Redemption of Principal		5,234	5,234
Interest and Fiscal Charges		1,964	1,964
Capital Outlay	17,841		17,841
	<u>197,266</u>	<u>53,979</u>	<u>251,245</u>
Total Cash Disbursements			
	197,266	53,979	251,245
Total Disbursements Over Receipts	<u>(63,481)</u>	<u>(25,911)</u>	<u>(89,392)</u>
Fund Cash Balances, January 1	<u>(110,640)</u>	<u>7,785</u>	<u>(102,855)</u>
Fund Cash Balances, December 31	<u>(\$174,121)</u>	<u>(\$18,126)</u>	<u>(\$192,247)</u>
Reserve for Encumbrances, December 31	<u>\$1,728</u>	<u>\$158</u>	<u>\$1,886</u>

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$117,929		\$117,929
Operating Cash Disbursements:			
Personal Services	4,761		4,761
Employee Fringe Benefits	1,849		1,849
Contractual Services	77,431		77,431
Supplies and Materials	20,001		20,001
Total Operating Cash Disbursements	104,042		104,042
Operating Income	13,887		13,887
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts		\$84,932	84,932
Non-Operating Cash Disbursements:			
Capital Outlay	1,826		1,826
Redemption of Principal	1,100		1,100
Interest and Other Fiscal Charges	2,920		2,920
Other Non-Operating Cash Disbursements		91,082	91,082
Total Non-Operating Cash Disbursements	5,846	91,082	96,928
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	8,041	(6,150)	1,891
Transfers-In	800		800
Transfers-Out	(800)		(800)
Net Receipts Over/(Under) Disbursements	8,041	(6,150)	1,891
Fund Cash Balances, January 1	230,381	8,016	238,397
Fund Cash Balances, December 31	\$238,422	\$1,866	\$240,288
Reserve for Encumbrances, December 31	\$35,074		\$35,074

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$16,534		\$16,534
Intergovernmental	8,633	\$22,990	31,623
Special Assessments	5,433		5,433
Fines, Licenses and Permits	103,825	949	104,774
Earnings on Investments	896	888	1,784
Miscellaneous	2,917	1,082	3,999
	<u>138,238</u>	<u>25,909</u>	<u>164,147</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	142,130		142,130
Leisure Time Activities		1,211	1,211
Community Environment	667		667
Transportation		34,195	34,195
General Government	88,147	1,514	89,661
Debt Service:			
Redemption of Principal		4,762	4,762
Interest and Fiscal Charges		1,052	1,052
Capital Outlay		4,192	4,192
	<u>230,944</u>	<u>46,926</u>	<u>277,870</u>
Total Disbursements Over Receipts	<u>(92,706)</u>	<u>(21,017)</u>	<u>(113,723)</u>
Other Financing Receipts / (Disbursements):			
Advances-In	20,000		20,000
Advances-Out	(20,000)		(20,000)
Other Financing Uses	(352)		(352)
	<u>(352)</u>		<u>(352)</u>
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	(93,058)	(21,017)	(114,075)
Fund Cash Balances, January 1	<u>(17,582)</u>	<u>28,802</u>	<u>11,220</u>
Fund Cash Balances, December 31	<u>(\$110,640)</u>	<u>\$7,785</u>	<u>(\$102,855)</u>
Reserve for Encumbrances, December 31	<u>\$2,043</u>	<u>\$3,139</u>	<u>\$5,182</u>

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$143,145		\$143,145
Operating Cash Disbursements:			
Personal Services	4,992		4,992
Employee Fringe Benefits	1,942		1,942
Contractual Services	68,587		68,587
Supplies and Materials	13,684		13,684
Total Operating Cash Disbursements	89,205		89,205
Operating Income	53,940		53,940
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts		\$136,795	136,795
Non-Operating Cash Disbursements:			
Redemption of Principal	10,000		10,000
Interest and Other Fiscal Charges	29,093		29,093
Other Non-Operating Cash Disbursements		129,830	129,830
Total Non-Operating Cash Disbursements	39,093	129,830	168,923
Excess of Receipts Over Disbursements Before Interfund Advances	14,847	6,965	21,812
Advances-In	20,000		20,000
Advances-Out	(20,000)		(20,000)
Net Receipts Over Disbursements	14,847	6,965	21,812
Fund Cash Balances, January 1	215,534	1,051	216,585
Fund Cash Balances, December 31	\$230,381	\$8,016	\$238,397
Reserve for Encumbrances, December 31	\$28		\$28

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Portage, Wood County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, park operations, and police services

The Village participates in two jointly governed organizations and the Ohio Government Risk Management Plan public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Central Joint Fire District provides fire services.

Mid-County Ambulance District provides ambulance services,.

Public Entity Risk Pool:

The Village participates in Ohio Government Risk Management Plan, a public entity risk pool. This organization provides property liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage for its members.

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

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

1. General Fund

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

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

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

Permissive Tax Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

3. Enterprise Funds

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

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court transactions.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

2. Estimated Resources

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

3. Encumbrances

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

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

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 Deposits

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

	2009	2008
Demand deposits	\$48,041	\$135,542

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$179,449	\$133,785	(\$45,664)
Special Revenue	26,400	28,068	1,668
Enterprise	143,000	118,729	(24,271)
Total	\$348,849	\$280,582	(\$68,267)

**VILLAGE OF PORTAGE
WOOD COUNTY**

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

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$210,913	\$198,994	\$11,919
Special Revenue	64,126	54,137	9,989
Enterprise	150,716	145,762	4,954
Total	\$425,755	\$398,893	\$26,862

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$172,388	\$138,238	(\$34,150)
Special Revenue	26,420	25,909	(511)
Enterprise	133,000	143,145	10,145
Total	\$331,808	\$307,292	(\$24,516)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$244,362	\$233,339	\$11,023
Special Revenue	58,850	50,065	8,785
Enterprise	145,100	128,326	16,774
Total	\$448,312	\$411,730	\$36,582

Contrary to Ohio law, appropriations exceeded estimated resources as of December 31, 2009 and 2008 in the General Fund by \$123,420 and \$72,272 respectively and in the Street Construction Maintenance and Repair Fund as of December 31, 2009 by \$56,949. Actual resources were less than appropriations as of December 31, 2009 in the General Fund and the Street Construction Maintenance and Repair fund by \$169,085 and \$55,098 respectively and as of December 31, 2008 in the General Fund by \$106,423. Also contrary to Ohio law, at December 31, 2009, the following funds had a cash deficit balance: General Fund \$174,121, and the Street Construction Maintenance and Repair Fund \$41,408. As of December 31, 2008 the General Fund had a deficit balance of \$110,640 and the Park Fund \$3,337.

4. Property Tax

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

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

4. Property Tax (Continued)

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. Local Income Tax

Starting in 2009, the Village levied a municipal income tax of 1% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

6. Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Rural Economic and Community Development Loans	\$507,300	5.5 - 5.625%
Truck Lease	11,139	6.85%
Mower Lease	15,398	11.99%
Total	<u><u>\$533,837</u></u>	

The Rural Economic and Community Development (RECD) loans relate to a sewer system project that was mandated by the Ohio Environmental Protection Agency. The loans will be repaid from the Sewer Fund in annual installments over 40 years.

The RECD loan agreement covenant requires the Village to establish and fund a sewer debt reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2009, is \$40,800. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The truck lease is with the Ford Motor Company. The lease will be paid from the Street Construction, Maintenance and Repair and the Permissive Funds in monthly installments of \$479.41, including interest, over five years.

The mower lease is with Advance Acceptance. The lease will be paid in monthly installments of \$477.84, including interest, over 4 years.

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

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

Year ending December 31:	RECD	Ford Motor Company	Advance Acceptance
2010	\$74,153	\$4,794	\$5,734
2011	39,013	5,753	5,734
2012	39,057	1,438	5,734
2013	39,061		1,434
2014	39,126		
2015-2019	195,264		
2020-2024	195,489		
2024-2029	195,239		
2030-2032	177,220		
Total	\$993,622	\$11,985	\$18,636

7. Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

8. Risk Management

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Village participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs

**VILLAGE OF PORTAGE
WOOD COUNTY**

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

8. Risk Management (Continued)

and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Village does not participate participates in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2008 and 2007 (the latest information available), and include amounts for both OPRRM and OPHC:

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members' Equity	<u>\$5,184,333</u>	<u>\$6,862,902</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

9. Jointly Governed Organizations

Central Joint Fire District: The District is comprised of Portage Township, Liberty Township and the Village of Portage. Each member makes one appointment to the Board. The Board operates the Fire Department which serves the Village.

Mid-County Ambulance District: The District is comprised of Portage Township, Center Township, Plain Township and the Village of Portage. Each member makes one appointment to the Board. The Board contracts with Life Star to provide ambulance service to the Village.

**VILLAGE OF PORTAGE
WOOD COUNTY**

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

10. Fiscal Management

As of December 31, 2009, the General fund balance was negative \$174,121. Other deficit balances at that time include the Street Maintenance and Repair Fund with a balance of (\$45,812), and the Park Fund with a balance of (\$2,799).

The Village of Portage has taken the following steps toward recovery:

- On January 1, 2009, the Village imposed a 1% income tax.
- The police department was eliminated as of December 31, 2009 and the Mayor's Court Clerk position was eliminated two months later.
- As of January 1, 2010 the position of sewer clerk was eliminated.
- There were no pay raises and Council has voted to give pay cuts to all Council Members and the Mayor in 2010.
- The position of Clerk/Treasurer was eliminated in 2010 and a Fiscal Officer was hired.

The Local Government Services Division of the Auditor of State's office was contacted by the Village regarding the financial difficulties, and began a fiscal analysis under the criteria established in ORC Chapter 118 in April 2009. The Village has been declared in fiscal emergency due to the significant deficit fund balance in the General fund, fulfilling Chapter 118 criteria.

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Mary Taylor, CPA
Auditor of State

**ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

Village of Portage
Wood County
110 West Walnut Street
P.O. Box 252
Portage, Ohio 43451-0252

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Portage, Wood County, (the Village), as of and for the years ended December 31, 2009 and 2008 following Ohio Administrative Code § 117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting, we noted matters 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. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the schedule of findings as items 2009-011 and 2009-012.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements, applicable to the Village. Noncompliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2009-001 through 2009-010.

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

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

Mary Taylor, CPA
Auditor of State

October 28, 2010

**VILLAGE OF PORTAGE
WOOD COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2009-001

Finding for Recovery

As established by the Village Council on June 15, 1998 and July 20, 1998, the positions of Treasurer and Clerk of the Village pay \$350 and \$900, respectively, per month. In addition, Ordinance 07-005, passed April 2, 2007, set the pay of the Sewer Clerk and Mayors Court Clerk at \$300 per month and \$9 per hour, respectively.

Sue Kepling, former Interim Clerk, Treasurer, Sewer Clerk and Mayors Court Clerk for the Village, was due \$2,216, \$2,135 and \$2,184.50 for the months of January, February and March 2008 in her capacity in these positions. Checks were issued to Ms. Kepling for \$2,516, \$2,435 and \$2,484.50 for these months resulting in an overpayment of \$900. Each check issued to Ms. Kepling during those three months was signed by both her and the former Mayor of the Village of Portage, Richard Gill.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Sue Kepling, former Interim Clerk and Treasurer of the Village, and her bonding company, the Selective Insurance Company of America, jointly and severally, in the amount of \$900 and in favor of the Village of Portage General Fund.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Revised Code § 9.39; *State, ex. Rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Because the former Mayor of the Village of Portage, Richard Gill, approved and signed the checks resulting in improper payments to Ms. Kepling, Mr. Gill is jointly and severally liable in the amount of \$900 to the extent that payment is not received from Sue Kepling and/or her bonding company.

FINDING NUMBER 2009-002

Finding for Recovery

As established by the Village Council on June 15, 1998 and July 20, 1998, the positions of Treasurer and Clerk of the Village pay \$350 and \$900, respectively, per month.

Bruce Shepherd, Clerk and Treasurer of the Village, was paid \$1,286 per month for the twenty four months he served as Clerk and Treasurer of the Village. All of the checks that were made available by the Village, and issued to Mr. Shepherd for these months, were signed by both Mr. Shepherd and the Mayor of the Village of Portage, William Mark Wolford. Pursuant to the Village's meetings noted above, Mr. Shepherd should have only been paid a total of \$1,250 per month in his capacity as Clerk and Treasurer of the Village. This resulted in a total overpayment of \$864 to Mr. Shepherd.

**FINDING NUMBER 2009-002
(Continued)**

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Bruce Shepherd, Clerk and Treasurer of the Village, and his bonding company, the Selective Insurance Company of America, jointly and severally, in the amount of \$864 and in favor of the Village of Portage General Fund.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074: Ohio Revised Code § 9.39; *State, ex. Rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Because the Mayor of the Village of Portage, William Mark Wolford, approved and signed the warrants resulting in improper payments to Mr. Shepherd, Mr. Wolford and his bonding company, Ohio Government Risk Management Plan, are jointly and severally liable in the amount of \$864 to the extent that payment is not received from Bruce Shepherd and/or his bonding company.

FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states 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 for the order or contract 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. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

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

**FINDING NUMBER 2009-003
 (Continued)**

3. 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.
4. Super Blanket Certificate – The Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. 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.

Eighty-four percent of the transactions tested were not certified by the fiscal officer at the time the commitments were incurred, and there was no evidence the Council followed the aforementioned exceptions. Failure to properly certify the availability of funds may have contributed to overspending funds and negative cash fund balances. In addition, Council did not pass a resolution establishing limit amounts for regular blanket certificates.

Certification is not only required by Ohio law, but it is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council. Council should establish a limit for the blanket certificates by resolution. In addition, to improve controls over disbursements, we recommend all Council disbursements receive prior certification from the fiscal officer and that Council periodically review the expenditures made to ensure they are within the appropriations adopted by Council, certified by the fiscal officer and recorded against appropriations.

FINDING NUMBER 2009-004

Noncompliance Citation

Ohio Revised Code § 5705.39 states that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

Appropriations exceeded estimated resources in the following funds in fiscal year 2008 and 2009:

Fund	Estimated Resources	Appropriations	Difference
2008:			
General Fund	\$172,089	\$244,362	(\$72,272)
2009:			
General Fund	85,450	208,870	(123,420)
Street Construction, Maintenance and Repair Fund	(10,385)	46,564	(56,949)

**FINDING NUMBER 2009-004
 (Continued)**

Allowing appropriations to remain higher than estimated resources increases the possibility appropriations may be unrealistically inflated which could result in deficit spending. Appropriations should have been reduced to the level of estimated resources.

Management officials should monitor estimated resources and appropriations throughout the year and make the necessary modifications, with approval of the Council, to avoid appropriations exceeding estimated resources to reduce the possibility of overspending.

FINDING NUMBER 2009-005

Noncompliance Citation

Ohio Revised Code § 5705.36(A)(2) states upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.

Ohio Revised Code § 5705.36(A)(4) states upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Revenues and beginning amounts available (actual resources) were less than the amounts in the official certificate and appropriations in the following funds:

Fund	Actual Resources	Estimated Resources	Appropriations
2008:			
General Fund	\$137,939	\$172,089	\$242,362
2009:			
General Fund	39,785	85,450	208,870
Street Construction, Maintenance and Repair Fund	(8,534)	(10,385)	46,564

We recommend the Village Council and Fiscal Officer review budgetary statements and monitor actual resources and request a reduced amended certificate upon determination that revenue to be collected will be less than the amount in the official certificate of estimated resources and the current level of appropriations in order to prevent overspending Village funds.

FINDING NUMBER 2009-006

Noncompliance Citation

Ohio Revised Code § 5705.34 requires each taxing authority to pass an ordinance or resolution to authorize the necessary tax levies and certify them to the county auditor before the first day of October in each year.

The Village Council did not authorize the necessary tax levies for 2008 or 2009.

We recommend the Village Council authorize the necessary tax levies and certify the levies to the county auditor before October 1st.

FINDING NUMBER 2009-007

Noncompliance Citation

Ohio Revised Code § 5705.39 states, in part, that no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

The Village did not file their annual appropriations resolution or amendments for fiscal years 2008 and 2009 with the Wood County Auditor's Office.

We recommend the Village submit their total appropriations and any amendments to the Wood County Auditor's Office at the time the measures pass, enabling the Auditor's Office to determine if the total appropriations from each fund exceed the total official estimate or amended official estimate. Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and may have contributed to the Village's deficit spending.

FINDING NUMBER 2009-008

Noncompliance Citation

Ohio Revised Code § 145.47(B) requires the fiscal officer of each local authority subject to Chapter 145 of the Ohio Revised Code to transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period. The system, after making a record of all receipts under this division, shall deposit the receipts with the treasurer of state for use as provided by this chapter.

Payments to the Ohio Public Employees Retirement System (OPERS) were made from one to six months late and the Village was assessed penalties and interest totaling \$439 in 2009 and \$227 in 2008. We recommend the Village timely transmit to OPERS the required report, together with any applicable warrants, checks or electronic payments, so that late fees and penalties will not be assessed.

FINDING NUMBER 2009-009

Noncompliance Citation

Ohio Revised Code § 9.38 provides, in part, that a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

Mayor's Court deposits were not always made within 24 hours. Some deposits were made 2 to 12 days after the receipt was written. Council has not adopted a policy permitting a different time period.

Timely deposits reduce the risk of receipts being lost, misappropriated or improperly posted and going undetected by management. Procedures should be in place to safeguard funds collected on behalf of the Village.

We recommend that the Clerk/Treasurer deposit all receipts with the financial institution within 24 hours. Receipt numbers representing a specific deposit should also be documented with the bank deposit. Village Council should develop deposit policies for all individuals associated with to follow and monitor such policies on a periodic basis.

FINDING NUMBER 2009-010

Noncompliance Citation

Ohio Revised Code § 5705.10(H) requires money paid into any fund be used only for the purposes which such fund is established. Deficit fund balances denote that money from one fund was used to cover the expenses of another fund.

The following funds had deficit balances as of December 31, 2009:

- General Fund - \$174,121
- Street Construction, Maintenance and Repair Fund - \$41,408

The following funds had deficit balances as of December 31, 2008:

- Park Fund - \$3,337
- General Fund - \$110,640

The following incorrect postings were found:

- Gas Tax and Auto Registration revenue to be paid into the Street Construction, Maintenance and Repair fund was posted to the State Highway and Permissive License funds in 2009 in the amounts of \$104 and \$343, respectively.
- Village payrolls were posted to funds which did not receive the benefit of labor performed.
- The Village financial records did not reconcile as of December 31, 2009. The Clerk/Treasurer identified the items that were causing the reconciliation to be out of balance but did not correct them.

**FINDING NUMBER 2009-010
(Continued)**

- The Village financial records did not reconcile as of December 31, 2008. This was due to a warrant being cashed that had been voided in the computer system and other warrants that were not listed as outstanding on the computer system.

The Village Clerk/Treasurer posted the required adjustments to the Village records and they are reflected in the accompanying financial statements.

Sound financial reporting is the responsibility of the Clerk/Treasurer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Clerk/Treasurer and Council review a receipt report each month to ensure receipts are properly posted.

FINDING NUMBER 2009-011

Financial Reporting Controls

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The Fiscal Officer performs most of the accounting functions. It is therefore important that Council monitor financial activity closely. The following deficiencies were noted in the monitoring of the financial activity by the Council:

- Council was not always provided with financial reports
- No indication was noted if a review by Council, or a representative of Council, was performed on the Clerk/Treasurer's bank account reconciliation.

Sound financial reporting is the responsibility of the Clerk/Treasurer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The Village is a small entity which does not lend itself to employ individuals to segregate duties. Strong monitoring controls will assist the Village council and management by mitigating the absence of the segregation of duties. We recommend monitoring controls be reviewed and increased. Procedures should include, but are not limited to:

- Financial reports should be presented to Council such as, the Cash Summary by Fund, Revenue Status Report, Expenditure Status Report, Bank Reconciliation and Expense Report (lists all checks to be paid) to assist Council in their decision making.
- Council or their designee should review bank account reconciliations including verification of bank balances and reconciling items with the bank statements and books of the Village.

FINDING NUMBER 2009-012

Mayor's Court Activity

Testing of Mayor's Court activity disclosed the following weaknesses:

- Thirty-seven percent of the court receipts tested were not deposited daily. Not depositing receipts daily could result in revenues being lost or misplaced;
- The credit card receipts are not being posted in the checkbook monthly. The receipts were sometimes posted minus the credit card fee. Not recording receipts when posted to the bank could result in revenues not being disbursed correctly;
- Errors were made on the deposits slips when depositing money. One error was noted by the bank and decreased the deposit but the clerk increased the deposit in the checkbook and a revenue received from the credit card company was deposited twice while two deposits were recorded at an incorrect amount in the checkbook. The Mayor's Court bank account showed no evidence of being reconciled. Lack of written bank reconciliations has resulted in errors going undetected.

In order to correct these weaknesses, in the event the Mayor's Court is re-established, we recommend the following:

- The Mayor's Court Clerk deposit all receipts daily and care be taken to determine that all deposit slips are accurate;
- Credit card receipts should be posted to the checkbook when the credit card companies send the report showing how much was received. The revenue should be posted at gross and the fee should be posted as an expense;
- Written bank reconciliations should be prepared monthly and reviewed and approved by Council.

Officials' Response:

We received no response from Officials to the findings reported above.

**VILLAGE OF PORTAGE
WOOD COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Finding for Recovery	Yes	
2007-002	Finding for Recovery	Yes	
2007-003	Finding for Recovery	Yes	
2007-004	Finding for Recovery	Yes	
2007-005	ORC §5705.41(D) – certification of expenditures.	No	Repeated as finding number 2009-003 in this report.
2007-006	ORC 5705.36(A)(2) amending certificate of estimated resources.	No	Repeated as finding number 2009-005 in this report.
2007-007	ORC §5705.10 – posting of revenue to the incorrect fund.	No	Repeated as finding number 2009-010 in this report.
2007-008	ORC §5705.41(B) – expenditures in excess of appropriations.	Yes	
2007-009	Material weakness due to errors in financial reporting.	No	Repeated as finding number 2009-011 in this report.
2007-009	Mayor’s Court accounting deficiencies.	No	Repeated as finding number 2009-012 in this report.

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Mary Taylor, CPA
Auditor of State

VILLAGE OF PORTAGE

WOOD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 16, 2010**