



**Auditor of State  
Betty Montgomery**



VILLAGE OF PORT WILLIAM  
CLINTON COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Port William  
Clinton County  
234 North Main Street  
Port William, Ohio 45164

To the Village Council:

We have audited the accompanying financial statements of the Village of Port William, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

August 8, 2003

**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, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$10,067	\$0	\$10,067
Intergovernmental Receipts	12,159	8,264	20,423
Charges for Services	4,200	52,029	56,229
Earnings on Investments	495	313	808
Miscellaneous	1,350	6,953	8,303
	<u>28,271</u>	<u>67,559</u>	<u>95,830</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	0	27,028	27,028
Transportation	0	2,524	2,524
General Government	28,512	0	28,512
Capital Outlay	4,012	0	4,012
	<u>32,524</u>	<u>29,552</u>	<u>62,076</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over/(Under) Disbursements	<u>(4,253)</u>	<u>38,007</u>	<u>33,754</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	(4,253)	38,007	33,754
Fund Cash Balances, January 1	<u>9,739</u>	<u>11,664</u>	<u>21,403</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$5,486</u></b>	<b><u>\$49,671</u></b>	<b><u>\$55,157</u></b>
Reserves for Encumbrances, December 31	<u>\$1,264</u>	<u>\$0</u>	<u>\$1,264</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, 2002

<b>Operating Cash Disbursements:</b>	
Contractual Services	<u>\$3,358</u>
Total Operating Cash Disbursements	<u>3,358</u>
Operating Loss	<u>(3,358)</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	<u>5,000</u>
Total Non-Operating Cash Disbursements	<u>5,000</u>
Net Receipts Under Disbursements	(8,358)
Fund Cash Balances, January 1	<u>10,892</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$2,534</u></u></b>

*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, 2001**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$10,593	\$0	\$10,593
Intergovernmental Receipts	15,219	14,518	29,737
Charges for Services	4,200	57,235	61,435
Earnings on Investments	1,758	375	2,133
Miscellaneous	760	2,335	3,095
Total Cash Receipts	32,530	74,463	106,993
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	0	123,548	123,548
Transportation	0	5,431	5,431
General Government	35,765	0	35,765
Capital Outlay	5,848	0	5,848
Total Cash Disbursements	41,613	128,979	170,592
Total Receipts (Under) Disbursements	(9,083)	(54,516)	(63,599)
Excess of Cash Receipts Under Cash Disbursements	(9,083)	(54,516)	(63,599)
Fund Cash Balances, January 1	18,822	66,180	85,002
<b>Fund Cash Balances, December 31</b>	<b>\$9,739</b>	<b>\$11,664</b>	<b>\$21,403</b>

*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, 2001

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Miscellaneous	<u>\$10,000</u>
Total Operating Cash Receipts	<u>10,000</u>
<b>Operating Cash Disbursements:</b>	
Contractual Services	<u>4,064</u>
Total Operating Cash Disbursements	<u>4,064</u>
Operating Income	<u>5,936</u>
Net Receipts Over Disbursements	5,936
Fund Cash Balances, January 1	<u>4,956</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$10,892</u></u></b>

*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, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Port William, Clinton County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides street maintenance and police and fire protection.

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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Deposits**

Village funds are pooled in a checking account and certificates of deposit with a local commercial bank. Interest earned is recognized and recorded when received. Certificates of deposit are valued at cost. The Village did not post all interest to all funds as required by the Ohio Revised Code and Ohio Constitution.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

*Street Maintenance 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, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Enterprise Funds**

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

*Sewer Fund* - This fund receives the 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 and object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Encumbered appropriations lapse at year end; however there were material unrecorded encumbrances outstanding at December 31, 2002.

**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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**VILLAGE OF PORT WILLIAM  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2002	2001
Demand deposits	\$47,691	\$22,295
Certificates of deposit	10,000	10,000
Total deposits	\$57,691	\$32,295

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

**2002 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,000	\$28,271	\$2,271
Special Revenue	58,500	67,559	9,059
Enterprise	5,000	0	(5,000)
Total	\$89,500	\$95,830	\$6,330

**2002 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$42,693	\$33,788	\$8,905
Special Revenue	89,370	29,552	59,818
Enterprise	16,738	8,358	8,380
Total	\$148,801	\$71,698	\$77,103

**2001 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,454	\$32,530	\$5,076
Special Revenue	64,000	74,463	10,463
Enterprise	15,000	10,000	(5,000)
Total	\$106,454	\$116,993	\$10,539

**VILLAGE OF PORT WILLIAM  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$57,425	\$41,613	\$15,812
Special Revenue	145,530	128,979	16,551
Enterprise	19,635	4,064	15,571
Total	\$222,590	\$174,656	\$47,934

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by February 14. If the property owner elects to make semiannual payments, the first half is due February 14. The second half payment is due the following July 20.

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. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$15,000	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 is \$25,000. During 2000, the Village drew \$10,000 of the eligible amount. In 2001, the Village drew another \$10,000 of the eligible amount. In 2002, the first payment of \$2,500 was paid and also the \$2,500 payment for 2003 was paid.

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

**VILLAGE OF PORT WILLIAM  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. DEBT (Continued)**

	<u>OWDA Loan</u>
Year ending December 31:	
2004	\$2,500
2005	2,500
2006	2,500
2007	2,500
2008-2009	5,000
Total	<u><u>\$15,000</u></u>

**6. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles.

**8. RELATED PARTY TRANSACTIONS**

The Village Clerk is part owner of M&J Hardware from which the Village acquired various fire and general supplies, office equipment and AOL internet access during 2002 and 2001. The Village paid \$3,897 for these items.

VILLAGE OF PORT WILLIAM  
CLINTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)

9. RESTATEMENT OF FUND BALANCES

A restatement of cash was due to an incorrect fund balance. A deposit in transit was included in the prior audit's financial statements; however, the deposit was not received and posted until January 2001. The effect of this change on the January 1, 2001 fund balances is as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Fund Balance at December 31, 2000	\$23,453	\$79,280	\$102,733
Restatement	(4,631)	(13,100)	(17,731)
Restated Fund Balance at January 1, 2001	<u>\$18,822</u>	<u>\$66,180</u>	<u>\$85,002</u>



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Port William  
Clinton County  
234 North Main Street  
Port William, Ohio 45164

To the Village Council:

We have audited the accompanying financial statements of the Village of Port William, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 8, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed several instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2002-001 through 2002-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 8, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 to be 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 the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of finds as items 2002-002, 2002-003, 2002-004, 2002-006 through 2002-010.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-007, 2002-008 and 2002-009 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 8, 2003.

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by 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

August 8, 2003

**VILLAGE OF PORT WILLIAM  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Noncompliance- Interest Allocation**

Ohio Rev. Code, Section 135.21, requires all interest earned on all investments to be placed in the General Fund except as provided by law. Article XII, Section 5a of the Ohio Constitution and 1982 Op. Att'y Gen. No 82-031, provide that interest earned on money derived from a motor vehicle license or fuel tax must be paid into the fund to which the principal belongs. Contrary to these sections, the Village did not distribute interest to the Street Fund as required and posted all interest to the General Fund. Financial statements were adjusted by \$374.68 in 2001 and \$313.14 in 2002 to properly reflect Street Fund Interest. We recommend that the Village properly allocate interest to the General and Street Funds.

**FINDING NUMBER 2002-002**

**Noncompliance and Reportable Condition- Certification of Funds**

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 needs to be signed 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.

This section also provides for two exceptions to the above requirement.

- A. Then and Now Certificates- If not certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$3,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

The Village failed to properly encumber 62% of expenditures tested and neither of the two exceptions provided for were used. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Effort should be made by the Village to properly utilize the encumbrance method of accounting by obtaining proper certification of the available funds on properly approved purchase orders. We recommend the Village obtain approved purchase orders, which contain the proper certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

**FINDING NUMBER 2002-003**

**Noncompliance and Reportable Condition- Deposits of Public Money**

Ohio Rev. Code, Section 9.38, states public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it. Only the legislative authority may adopt this policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a less amount can not be safeguarded, the public official must then deposit the money on the next business day.

During testing, we noted that 19% of charges for services and 6.7% of miscellaneous revenue were not deposited in accordance with the Ohio Revised Code. Not depositing funds properly could allow for the misappropriation of the Village funds. We recommend the Village follow the Ohio Revised Code requirements for depositing public monies.

Due to deposits not being made timely, the Village incurred \$155 in bank charges due to overdraft fees. On the following dates, the Village had a negative bank balances; (\$2,451.78) on December 7, 2001, (\$3,299.30) on December 10, 2001, (\$3,756.80) on December 11, 2001 and (\$4,132.22) on December 12, 2001.

The Village also received two checks from the State that were not deposited by the Clerk and the checks have become stale and void. The amount of stale checks totaled \$376.85 and would have been posted to the Street Fund. To avoid the loss of public funds and to properly account for Village activity, the Clerk should immediately deposit all public money when received.

**FINDING NUMBER 2002-004**

**Noncompliance and Reportable Condition- Annual Financial Report**

Ohio Rev. Code, Section 117.38, requires that cash basis entities file an annual financial report with the Auditor of State within 60 days of the fiscal year end. These reports must be on forms prescribed by the Auditor of State. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfilled not to exceed seven hundred and fifty dollars. Also, the public office must publish a notice stating that the financial report is available for public inspection.

The Village did not file its 2002 annual financial report until April 23, 2003 and the 2001 report that was timely filed did not match the report submitted for audit. In addition, the Village did not publish notice in a local newspaper as required for 2001 and 2002. This report is the presentation of the Village's financial position and is used by management to make informed decisions concerning operations. It is important that the report fairly and accurately present the Village's true financial position. In order to avoid unnecessary penalties, we recommend the Village Council take measures to insure that the Clerk-Treasurer properly prepares and files the annual financial report. Also, we recommend the Village publish notice in a local paper to inform the public of the availability of the financial report.

**FINDING NUMBER 2002-005**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.10, provides that money paid into a fund must be used only for the purposes for which such fund has been established. The Fire Fund had a negative fund balance in November 2001 of (\$3,022.64) and the Sewer Fund had a negative fund balance in September 2001 of (\$896.01). These deficit fund balances indicate that cash from other funds has been used to pay the obligations of this fund. We recommend the Council members monitor monthly financial reports and if necessary, follow guidance outlined in Auditor of State Bulletin 97-003 to temporarily allocate cash from one fund to another.

Additionally, 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. The Clerk-Treasurer posted tax settlements and intergovernmental revenue incorrectly between the General, Fire and Street Funds. The Village also posted tax settlements at net instead of gross, which resulted in numerous adjustments to financial statements. To properly record the tax revenue, the full amount of revenue needs to be recognized and the fees should be reflected as an expenditure. Failure to record tax levies in the proper fund or for the incorrect amount could cause the Village to spend levy money improperly. We recommend the Clerk-Treasurer post the tax settlements at gross and then post the appropriate disbursements for auditor and treasurer fees. In addition, we recommend the Village take due care in the posting of Village tax receipts to ensure proper posting.

**FINDING NUMBER 2002-006**

**Noncompliance and Reportable Condition- Village Records**

Ohio Rev. Code, Section 733.28, states that the Village Clerk shall keep the books of the Village; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and income derived.

The Village did not maintain an accurate record of all moneys received. The accounting records of the Village were incomplete, contained posting errors and were not reconciled to one another or to the bank properly. As a result, those records which were maintained by the Clerk were not an accurate reflection of all monies received and expended. All of these conditions exhibit a lack of control over the recording and reporting of Village financial activity and did result in inaccurate and untimely accounting records.

We recommend the Village reconcile the cash journal to the bank, the receipt ledger, and the appropriation ledger on a monthly basis. Implementation of these procedures will add a substantial measure of control to the receipt and expenditure process, as well as provide assurance that the activity is properly handled and fairly presented on the Village's ledgers and financial reports.

**FINDING NUMBER 2002-007**

**Material Weakness- Receipt and Appropriation Ledger**

The receipt ledger and appropriation ledger were maintained by the Clerk for 2001 and 2002; however, they were incomplete. Without the detailed information of the sources of Village funds and disbursements, Council members can not make informed decisions regarding Village finances.

The receipt and appropriation ledger should include each separate account with a separate page for each account per fund. The name of the fund, the account, and the code prescribed for the account should be included on the ledger sheet. The receipt ledger pages should include a column for amounts received with totals for the month and a year to date column. The appropriation ledger should include a column for disbursements made and a column for the appropriated amount. Any disbursements made should be subtracted from the original appropriated balance producing a declining unencumbered balance.

To provide accurate and complete financial information for management to use in the decision making process and to aid in the accurate classification of receipts and disbursements on the Village's annual financial report, we recommend the Village maintain receipt and appropriation ledgers as described above. Receipts in the cash journal should agree to receipts in the receipts ledger and disbursements in the cash journal should agree to disbursements in the appropriations ledger. Encumbrances and disbursements should be posted to the appropriation ledger resulting in declining unencumbered balances. Receipts should be posted by fund and line item, with a running balance maintained. At year-end, the totals from these ledgers should be carried forward to the annual financial report.

**FINDING NUMBER 2002-008**

**Material Weakness- Bank Reconciliations**

The Village did not properly reconcile its bank account during 2001 and 2002. Reconciliations were performed but incorrect fund balances were used. Failure to accurately prepare and reconcile the accounting records reduces the accountability over Village funds, reduces the Council's ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected and increases the likelihood that the Village's financial statements will be misstated. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well as, ensure that all recorded transactions have been deposited with the financial institution.

We recommend the Village properly reconcile the account monthly. The Village Clerk should perform a reconciliation between the bank balance and fund balances monthly. The reconciled checking account balance (bank balance less outstanding checks plus deposits in transit) plus each certificate of deposit balance should equal the total fund balance. Any variances should be immediately investigated and justified. We also recommend that a council member review and sign off on the reconciliation thereby indicating approval and ensuring timeliness of reconciliations.

### **FINDING NUMBER 2002-009**

#### **Material Weakness- Disbursement Procedures**

The Village had very few policies, procedures and accounting controls instituted by the Village Council to review monthly expenditure records. This may create an environment which promotes possible fraud or misappropriation of funds.

The following weaknesses were noted:

- Copies of invoices were not always attached to voucher package and no documentation existed to support the purpose of the voucher;
- Invoices contained no indication (e.g., initials) that someone had compared the items included on the invoices and to the items received;
- Payments were made from vendor statements and not itemized invoices.

The lack of control over invoices and goods/services received could result in unauthorized payments, over/under payments or duplicate payments, and unaccounted for checks.

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

- A. All vouchers should have an invoice attached. Once invoices have been approved for payment, the Clerk should issue the corresponding check and stamp the invoice "paid". The invoice should be filed with the voucher packet. The invoice details what the expenditure was for and without the invoice, the Council can not verify that it was proper or that the payment matches what was invoiced.
- B. 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 payments.
- C. All payments should be made from itemized invoices, not monthly statements, so that officials can verify items received and if bills are for a proper public purpose and these invoices should be attached to all vouchers and reviewed by Council members.

### **FINDING NUMBER 2002-010**

#### **Reportable Condition- Federal Taxes and Ohio Public Employees Retirement System**

The Village did not submit Medicare payments and federal withholding payments for 2001 and 2002 to the IRS until April 25, 2003. Also, PERS payments were made several months late. Failure to remit these payments could cause the Village to pay late penalties and employees would not be able to receive their benefits. We recommend the Village make timely payments for withholdings.

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**VILLAGE OF PORT WILLIAM  
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-30414-001	Inaccuracy and lack of records kept, monthly reconciliations not being performed, not filing the annual financial report	Partially Corrected	Reissued in findings 2002-005, 2002-006, and 2002-2007
2000-30414-002	ORC 149.351 for destruction of records	Partially Corrected	Reissued in the management letter
2000-30414-003	ORC 5705.41(D) for not properly encumbering	Not Corrected	Reissued in finding 2002-002
2000-30414-004	ORC 5705.28 for not adopting a tax budget in the minutes.  ORC 5705.30 for not having a public budget hearing	Finding No Longer Valid  Finding No Longer Valid	The County Auditor waived the requirement to complete a tax budget.
2000-30414-005	ORC 5705.36 for certification of available revenue	Partially Corrected	Reissued in the management letter
2000-30414-006	ORC 5705.41(B) for disbursements exceeding appropriations	Yes	
2000-30414-007	Lack of adequate documentation in the minutes.	Yes	
2000-30414-008	ORC 135.21 for interest not properly posted to the correct funds	Not Corrected	Reissued in finding 2002-001
2000-30414-009	ORC 145.03 for not paying PERS timely	Not Corrected	Reissued in finding 2002-010
2000-30414-010	ORC 5747.06(A) for state tax not being withheld	No	Reissued in the management letter
2000-30414-011	ORC 733.27 for the clerk not attending training.	Yes	
2000-30414-012	Village submitted federal withholding late and incurred a penalty	Not Corrected	Reissued in finding 2002-010
2000-30414-013	Lack of internal controls	Not Corrected	Reissued in finding 2002-009

Village of Port William  
 Clinton County  
 Schedule of Prior Audit Findings  
 Page 2

2000-30414-014	Clerk was signing checks before he took office.	Finding no longer valid	
2000-30414-015	Clerk did not maintain a payroll ledger	Yes	
2000-30414-016	Clerk has numerous posting errors, incorrect deposits in transits	Partially Corrected	Re-issued in findings 2002-004, 2002-006 and 2002-007
2000-30414-017	Not depositing checks and they were considered void, incorrect fund balances	Not Corrected	Reissued in finding 2002-003



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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  
SEPTEMBER 11, 2003**