

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

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



**Auditor of State
Betty Montgomery**

Village Council
Village of Port Washington
107 E. Main Street
Port Washington, Ohio 43837

We have reviewed the *Report of Independent Accountants* of the Village of Port Washington, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 23, 2005

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**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY
For Years Ending December 31, 2004 and 2003**

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

REPORT OF INDEPENDENT ACCOUNTANTS

To the Village Council
Village of Port Washington
Tuscarawas County, Ohio

We have audited the accompanying financial statements of the Village of Port Washington, Tuscarawas County, Ohio as and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 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 the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Port Washington, Tuscarawas County, as of December 31, 2004 and 2003, 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 year ended December 31, 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 September 6, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
September 6, 2005

VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - (ALL GOVERNMENTAL FUND TYPES)
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>			<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Receipts:				
Property Taxes and Other Local Taxes	\$ 20,530	\$ 4,318	-	\$ 24,848
Municipal Income Taxes	30,673	-	\$ 18,705	49,378
Intergovernmental	22,010	31,545	-	53,555
Fines, Licenses and Permits	12,045	-	-	12,045
Interest	1,070	396	-	1,466
Other	2,652	80	7,621	10,353
Total Receipts	<u>88,980</u>	<u>36,339</u>	<u>26,326</u>	<u>151,645</u>
Disbursements:				
Security of Persons and Property	24,100	-	-	24,100
General Government	68,476	-	-	68,476
Public Health Services	566	9,547	-	10,113
Community Environment	6,130	250	-	6,380
Transportation	-	31,438	-	31,438
Basic Utilities	5,898	-	-	5,898
Capital Outlay	-	-	2,128	2,128
Total Disbursements	<u>105,170</u>	<u>41,235</u>	<u>2,128</u>	<u>148,533</u>
Receipts over(under) disbursements	(16,190)	(4,896)	24,198	3,112
Fund Balance 1/1/2004	<u>16,930</u>	<u>41,808</u>	<u>46,290</u>	<u>105,028</u>
Fund Balance 12/31/2004	<u>\$ 740</u>	<u>\$ 36,912</u>	<u>\$ 70,488</u>	<u>\$ 108,140</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - (ALL GOVERNMENTAL FUND TYPES)
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>			<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Receipts:				
Property Taxes and Other Local Taxes	\$ 18,232	\$ 3,917	-	\$ 22,149
Municipal Income Taxes	27,635	-	\$ 17,572	45,207
Intergovernmental	24,828	26,431	-	51,259
Fines, Licenses and Permits	8,739	-	-	8,739
Interest	490	252	-	742
Other	1,982	193	-	2,175
Total Receipts	<u>81,906</u>	<u>30,793</u>	<u>17,572</u>	<u>130,271</u>
Disbursements:				
Security of Persons and Property	23,356	-	-	23,356
General Government	61,132	-	-	61,132
Public Health Services	96	2,481	-	2,577
Community Environment	7,606	114	-	7,720
Transportation	-	29,921	-	29,921
Basic Utilities	5,445	-	-	5,445
Capital Outlay	-	7,000	50,284	57,284
Total Disbursements	<u>97,635</u>	<u>39,516</u>	<u>50,284</u>	<u>187,435</u>
Receipts over(under) disbursements	(15,729)	(8,723)	(32,712)	(57,164)
Other Financing Sources (Uses)				
Sale of Fixed Assets	6,700	-	-	6,700
Total Other Financing Sources (Uses)	<u>6,700</u>	<u>-</u>	<u>-</u>	<u>6,700</u>
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>(9,029)</u>	<u>(8,723)</u>	<u>(32,712)</u>	<u>(50,464)</u>
Fund Balance 1/1/2003	<u>25,959</u>	<u>50,531</u>	<u>79,002</u>	<u>155,492</u>
Fund Balance 12/31/2003	<u>\$ 16,930</u>	<u>\$ 41,808</u>	<u>\$ 46,290</u>	<u>\$ 105,028</u>

See accompanying Notes to the Financial Statements.

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

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

B. BASIS OF ACCOUNTING

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

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

C. CASH

The Village maintains cash deposits in a checking account.

D. FUND ACCOUNTING

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

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Governmental Fund Types:

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

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

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

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

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

E. BUDGETARY PROCESS

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

1. Estimated Resources

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

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

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

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

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

Budget receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2003 and 2004. However, those fund balances are available for appropriation.

2. Appropriations

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

3. Encumbrances

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

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

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. PROPERTY, PLANT AND EQUIPMENT

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2003</u>	<u>2004</u>	
Demand deposits	<u>\$ 105,028</u>	<u>\$ 108,140</u>	

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

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

3. PROPERTY TAX - (Continued)

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

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

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

4. BUDGETARY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

<u>2004 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 67,750	\$ 88,980	\$ 21,230
Special Revenue Funds	28,700	36,339	7,639
Capital Projects Fund	36,000	26,326	(9,674)

<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 96,762	\$105,170	\$ (8,408)
Special Revenue Funds	45,750	41,235	4,515
Capital Projects Fund	-0-	2,128	(2,128)

<u>2003 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$135,562	\$ 88,606	\$(46,956)
Special Revenue Funds	25,400	30,793	5,393
Capital Projects Fund	32,000	17,572	(14,428)

<u>2003 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 97,312	\$ 97,635	\$ (323)
Special Revenue Funds	49,400	39,516	9,884
Capital Projects Fund	-0-	50,284	(50,284)

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

5. LOCAL INCOME TAX

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

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

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. OPERS participants contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of their wages. The Village has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

Subsequent to December 31, 2004, Village Council passed an ordinance increasing the allocation of income tax receipts to the General Fund to eighty percent (80%) from sixty percent (60%), retroactive to January 1, 2005.

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

9. LEGAL COMPLIANCE

Pursuant to Section 117.11(A) of the Revised Code, we performed tests of compliance with provisions of local, state and/or federal laws, as applicable. The auditor's report on the Village's compliance with the Ohio Revised Code and internal control structure comments are included in a separate part of this presentation.

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

To the Village Council
Village of Port Washington
Tuscarawas County, Ohio

We have audited the financial statements of the Village of Port Washington, Tuscarawas County, Ohio (Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 6, 2005, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 Findings as items 2004-VPWTC-001 and 2004-VPWTC-002.

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 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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable conditions described above are 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 September 6, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed several instances of noncompliance that are required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2004-VPWTC-003 through 2004-VPWTC-005.

We also noted other matters involving compliance that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 6, 2005.

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

Charles E. Harris and Associates, Inc.

September 6, 2005

VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
December 31, 2004 and 2003

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

FINDING NUMBER 2004-VPWTC-001

Review of Monthly Reports and Evidence of Review

There was no evidence of Council's review and acceptance of the following reports:

- The Fiscal Officer's monthly bank reconciliation and monthly fund balance summary
- The monthly Mayor's Court Report
- The Quarterly Income Tax Reports

To improve monitoring controls over the Village's financial activity, Council should document receipt and review of these reports within the minutes. Also, a designated Council member should sign or initial and date these reports as evidence of review.

The Village Council has agreed to implement these recommendations.

FINDING NUMBER 2004-VPWTC-002

Receipts and Appropriation Ledgers

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

- Certified estimated receipts were not posted to the Village's receipts ledgers and appropriations were not posted to the Village's appropriations ledger.
- Receipts and disbursements recorded in the cash journal were not always carried forward to the receipt and appropriation ledger.
- The Fiscal Officer did not always post tax receipts at gross amounts and memo expenditures for the auditor and treasurer fees.
- Budget to Actual statement were not prepared and reviewed by Council.

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

In order to enable management to effectively monitor revenue collections and expenditure authority and assist the Village with budget management decisions, the Fiscal Officer should:

- Record certified estimated receipts and appropriations to Village ledgers
- Record all receipts and disbursements to the appropriate ledgers from the cash journals
- Provide Council with budget vs. actual receipt and disbursement reports on a month to month basis

The Fiscal Officer has agreed to implement these recommendations.

FINDING NUMBER 2004-VPWTC-003

Ohio Rev. Code Section 5705.41(D) (1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto certifying that the amount required to meet the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

1. Then and Now Certificates – If no 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, Village Council may affirm or authorize the issuance of a warrant in payment due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid. Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of “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 taxing authority.
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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months). 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.
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 profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2004 and 2003, the Fiscal Officer did not certify any expenditure prior to incurring the obligation. It was also found that none of the exceptions noted above were utilized for the items to be found in noncompliance. To avoid overspending, the Village should certify the availability of funds prior to incurring the obligation for expenditure. When prior certification is not possible, “then and now” certification should be used.

FINDING NUMBER 2004-VPWTC-004

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

During the year ended December 31, 2004, the General Fund and the Special Revenue Permissive Tax Fund appropriations exceeded total estimated resources.

Village Council should monitor appropriations versus estimated resources to help avoid overspending. Management agrees and will monitor appropriations.

FINDING NUMBER 2004-VPWTC-005

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

The Village's legal level of control is the at the fund level. We noted the following funds had expenditures that exceeded appropriations at the fund level at December 31, 2003: General Fund, Special Revenue-Permissive Tax Fund, and Capital Projects-Construction Fund.

We noted the following funds had expenditures that exceeded appropriations at the fund level at December 31, 2004: General Fund, Special Revenue Fund-Street Maintenance and Special Revenue-Cemetery Fund and Capital Projects-Construction Fund.

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

VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2002-001	Village did not file annual report with Auditor of State within 60 days of year-end.	No	Partially corrected. Management letter comment
2002-002	Village did not certify the availability of funds prior to incurring the obligation for expenditures.	No	Repeated as finding number 2004-VPWTC-003
2002-003	Village appropriations exceeded estimated resources.	No	Repeated as finding number 2004-VPWTC-004.
2002-004	Village did not record receipts and expenditures made on its behalf.	Did not apply	N/A
2002-005	Village Council did not monitor and sign monthly financial reports.	No	Repeated as finding number 2004-VPWTC-001.
2005-006	Village was incomplete in recording receipts and disbursements and budgetary information.	No	Repeated as finding number 2004-VPWTC-002.



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

VILLAGE OF PORT WASHINGTON

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 13, 2005**