



**Auditor of State  
Betty Montgomery**



VILLAGE OF PORTAGE  
WOOD COUNTY

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**Auditor of State  
Betty Montgomery**

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

To the Village Council:

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

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

**Betty Montgomery**  
Auditor of State

September 27, 2006

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT 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 audited the accompanying financial statements of Village of Portage, Wood County, (the Village) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Portage, Wood County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

September 27, 2006

**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, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$15,197		\$15,197
Special Assessments	3,341		3,341
Intergovernmental Receipts	10,119	\$31,791	41,910
Fines, Licenses, and Permits	142,709	3,277	145,986
Earnings on Investments	2,471	819	3,290
Miscellaneous	1,365	470	1,835
	<u>175,202</u>	<u>36,357</u>	<u>211,559</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	113,254		113,254
Public Health Services	300		300
Leisure Time Activities		837	837
Community Environment	590		590
Transportation		39,057	39,057
General Government	48,877	2,579	51,456
Capital Outlay		12	12
	<u>163,021</u>	<u>42,485</u>	<u>205,506</u>
<b>Total Cash Disbursements</b>			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>12,181</u>	<u>(6,128)</u>	<u>6,053</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-In		195	195
Transfers-Out	(195)		(195)
	<u>(195)</u>	<u>195</u>	<u></u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	11,986	(5,933)	6,053
Fund Cash Balances, January 1	4,413	92,546	96,959
<b>Fund Cash Balances, December 31</b>	<b><u>\$16,399</u></b>	<b><u>\$86,613</u></b>	<b><u>\$103,012</u></b>
Reserves for Encumbrances, December 31	<u>\$2,933</u>		<u>\$2,933</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 SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$149,367		\$149,367
<b>Operating Cash Disbursements:</b>			
Personal Services	12,885		12,885
Fringe Benefits	1,547		1,547
Contractual Services	47,136		47,136
Supplies and Materials	924		924
Total Operating Cash Disbursements	62,492		62,492
Operating Income	86,875		86,875
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts		\$189,639	189,639
<b>Non-Operating Cash Disbursements:</b>			
Debt Service			
Redemption of Principal	8,500		8,500
Interest and Other Fiscal Charges	30,602		30,602
Other Non-Operating Disbursements		191,724	191,724
Total Non-Operating Cash Disbursements	39,102	191,724	230,826
Net Receipts Over/(Under) Disbursements	47,773	(2,085)	45,688
Fund Cash Balances, January 1	111,428	3,675	115,103
<b>Fund Cash Balances, December 31</b>	<b><u>\$159,201</u></b>	<b><u>\$1,590</u></b>	<b><u>\$160,791</u></b>

*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, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$12,698		\$12,698
Special Assessments	6,027		6,027
Intergovernmental Receipts	10,105	\$71,308	81,413
Fines, Licenses, and Permits	130,966	6,865	137,831
Earnings on Investments	776	373	1,149
Miscellaneous	1,414	3,855	5,269
	<u>161,986</u>	<u>82,401</u>	<u>244,387</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	105,102		105,102
Public Health Services	350		350
Leisure Time Activities		678	678
Community Environment	633		633
Transportation		30,549	30,549
General Government	64,501	1,778	66,279
Capital Outlay		4,260	4,260
	<u>170,586</u>	<u>37,265</u>	<u>207,851</u>
<b>Total Cash Disbursements</b>			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(8,600)</u>	<u>45,136</u>	<u>36,536</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-In		82	82
Transfers-Out	(82)		(82)
	<u>(82)</u>	<u>82</u>	<u></u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(8,682)	45,218	36,536
Fund Cash Balances, January 1	<u>13,095</u>	<u>47,328</u>	<u>60,423</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$4,413</u></b>	<b><u>\$92,546</u></b>	<b><u>\$96,959</u></b>
Reserves for Encumbrances, December 31	<u>\$2,099</u>		<u>\$2,099</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 SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$140,431		\$140,431
<b>Operating Cash Disbursements:</b>			
Personal Services	12,648		12,648
Fringe Benefits	1,810		1,810
Contractual Services	55,363		55,363
Supplies and Materials	17,649		17,649
Total Operating Cash Disbursements	87,470		87,470
Operating Income	52,961		52,961
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts		\$155,994	155,994
<b>Non-Operating Cash Disbursements:</b>			
Debt Service			
Redemption of Principal	8,100		8,100
Interest and Other Fiscal Charges	31,056		31,056
Other Non-Operating Cash Disbursements		163,849	163,849
Total Non-Operating Cash Disbursements	39,156	163,849	203,005
Net Receipts Over/(Under) Disbursements	13,805	(7,855)	5,950
Fund Cash Balances, January 1	97,623	11,530	109,153
<b>Fund Cash Balances, December 31</b>	<b>\$111,428</b>	<b>\$3,675</b>	<b>\$115,103</b>

*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, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Portage, Wood County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides sewer utilities, park operations, and police services. The Village is a member of the Central Joint Fire District which provides fire protection services.

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

**B. Basis of Accounting**

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

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

**C. Cash**

The Village values certificates of deposit at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**VILLAGE OF PORTAGE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(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 to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

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

Sewer Debt Reserve Fund - This fund is required by the RECD debt agreement. The balance is reserved for the payment of the RECD debt if the Sewer Operating Fund is unable to meet the debt obligation. The balance would then have to be replaced.

**4. Fiduciary Funds (Trust and Agency Funds)**

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayor's Court Agency Fund - This fund accounts for all Mayor's Court receipt and disbursement activity.

**E. 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 level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**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.

**VILLAGE OF PORTAGE  
WOOD COUNTY**

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

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

**3. Encumbrances**

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

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

**F. Property, Plant, and Equipment**

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

**2. EQUITY IN POOLED CASH**

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

	2005	2004
Demand deposits	\$256,328	\$203,782
Certificates of deposit	7,475	8,280
Total deposits	263,803	212,062

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

**3. BUDGETARY ACTIVITY**

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

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$177,181	\$175,202	(\$1,979)
Special Revenue	45,265	36,552	(8,713)
Enterprise	126,000	149,367	23,367
Total	\$348,446	\$361,121	\$12,675

**VILLAGE OF PORTAGE  
WOOD COUNTY**

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

**3. BUDGETARY ACTIVITY – (Continued)**

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$177,992	\$166,149	\$11,843
Special Revenue	95,940	42,485	53,455
Enterprise	205,775	101,594	104,181
Total	\$479,707	\$310,228	\$169,479

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$175,817	\$161,986	(\$13,831)
Special Revenue	78,524	82,483	3,959
Enterprise	131,000	140,431	9,431
Total	\$385,341	\$384,900	(\$441)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$173,562	\$172,767	\$795
Special Revenue	114,223	37,265	76,958
Enterprise	215,455	126,626	88,829
Total	\$503,240	\$336,658	\$166,582

**4. PROPERTY TAX**

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

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

**VILLAGE OF PORTAGE  
WOOD COUNTY**

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

**5. DEBT**

Debt outstanding at December 31, 2005, was as follows:

	Principal	Interest Rate
Rural Economic and Community Development Loans	\$536,800	5.5 - 5.625%

The Rural Economic and Community Development (RECD) loan relates 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 the next 29 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, 2005, is \$40,000.

Amortization of the above debt, including interest, follows:

Year ending December 31:	RECD Loan
2006	\$39,125
2007	39,020
2008	39,092
2009	39,031
2010	39,142
2011-2015	195,302
2016-2020	195,279
2021-2025	195,451
2026-2030	195,321
2031-2032	78,117
Total	\$1,054,880

**6. RETIREMENT SYSTEM**

The Village's employees, including law enforcement officers 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.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**VILLAGE OF PORTAGE  
WOOD COUNTY**

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

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u><b>2005</b></u>	<u><b>2004</b></u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**8. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



**Auditor of State  
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the Village of Portage, Wood County, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 27, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 27, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 2005-001. In a separate letter to the Village's management dated September 27, 2006, we reported another matter related to noncompliance we deemed immaterial.

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



**Betty Montgomery**  
Auditor of State

September 27, 2006

**VILLAGE OF PORTAGE  
WOOD COUNTY**

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

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) (1) states that no subdivision 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. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. 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 standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

**Blanket Certificate:** Fiscal Officers may prepare "blanket" certificates not exceeding amounts as approved by Council via Ordinance or Resolution, or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

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

Forty-three percent of the transactions tested were not certified by the Clerk/Treasurer at the time the commitment was incurred, and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, the Village had \$2,933 and \$2,099 in outstanding purchase commitments as of December 31, 2005 and 2004, respectfully, that were not certified at year end. The accompanying budgetary presentations have been adjusted to reflect these amounts as an outstanding encumbrance at year end in the General Fund.

Certification is not only required by Ohio law but 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. To improve controls over disbursements, we recommend all Village disbursements received prior certification of the Clerk/Treasurer and the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Clerk/Treasurer and recorded against appropriations.

**Clients Response:**

Attempts will be made to certify in accordance with the applicable regulation.



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Betty Montgomery**

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**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  
OCTOBER 19, 2006**