



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF PORTAGE  
WOOD COUNTY

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**Mary Taylor, CPA**  
Auditor of State

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 an 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 adverse 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

May 27, 2008

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# Mary Taylor, CPA

Auditor of State

## 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, 2007 and 2006. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2007 and 2006, 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, 2007 and 2006, or its changes in financial position or cash flows, where applicable 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 of Village of Portage, Wood County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 May 27, 2008, 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.



**Mary Taylor, CPA**  
Auditor of State

May 27, 2008



**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, 2007**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$12,869		\$12,869
Intergovernmental	9,218	\$22,932	32,150
Special Assessments	5,867		5,867
Fines, Licenses and Permits	124,188	844	125,032
Earnings on Investments	5,476	643	6,119
Miscellaneous	798	60	858
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	158,416	24,479	182,895
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	121,985		121,985
Public Health Services	1,221		1,221
Leisure Time Activities		1,370	1,370
Community Environment	547		547
General Government	72,091	16,415	88,506
Debt Service:		456	456
Redemption of Principal		3,620	3,620
Interest and Fiscal Charges		703	703
Capital Outlay		33,740	33,740
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	195,844	56,304	252,148
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements Over Cash Receipts	(37,428)	(31,825)	(69,253)
	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts / (Disbursements):</b>			
Sale of Capital Assets	3,500		3,500
Transfers-In		190	190
Transfers-Out	(190)		(190)
Advances-In	5,000		5,000
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	8,310	190	8,500
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(29,118)	(31,635)	(60,753)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	13,207	60,205	73,412
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>(\$15,911)</u></b>	<b><u>\$28,570</u></b>	<b><u>\$12,659</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 PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$143,660		\$143,660
<b>Operating Cash Disbursements:</b>			
Personal Services	4,351		4,351
Employee Fringe Benefits	2,140		2,140
Contractual Services	55,464		55,464
Supplies and Materials	4,555		4,555
Total Operating Cash Disbursements	66,510		66,510
Operating Income	77,150		77,150
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Cash Receipts		\$132,587	132,587
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay			
Redemption of Principal	9,400		9,400
Interest and Other Fiscal Charges	29,620		29,620
Other Non-Operating Cash Disbursements		131,536	131,536
Total Non-Operating Cash Disbursements	39,020	131,536	170,556
Excess of Receipts Over Disbursements Before Interfund Advances	38,130	1,051	39,181
Advances-Out	(5,000)		(5,000)
Net Receipts Over Disbursements	33,130	1,051	34,181
Fund Cash Balances, January 1	180,688		180,688
<b>Fund Cash Balances, December 31</b>	<b>\$213,818</b>	<b>\$1,051</b>	<b>\$214,869</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, 2006**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$13,978		\$13,978
Intergovernmental	13,296	\$27,598	40,894
Special Assessments	5,976		5,976
Fines, Licenses and Permits	152,167	1,296	153,463
Earnings on Investments	5,753	1,208	6,961
Miscellaneous	230	678	908
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	191,400	30,780	222,180
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	125,072		125,072
Public Health Services	1,085		1,085
Leisure Time Activities		1,332	1,332
Community Environment	576		576
Transportation		31,193	31,193
General Government	66,455	5,484	71,939
Capital Outlay		20,323	20,323
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	193,188	58,332	251,520
Total Cash Disbursements Over Cash Receipts	<hr/>	<hr/>	<hr/>
	(1,788)	(27,552)	(29,340)
<b>Other Financing Receipts / (Disbursements):</b>			
Transfers-In		354	354
Transfers-Out	(354)		(354)
Other Financing Sources		805	805
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(354)	1,159	805
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(2,142)	(26,393)	(28,535)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	15,349	86,598	101,947
<b>Fund Cash Balances, December 31</b>	<hr/> <b>\$13,207</b> <hr/>	<hr/> <b>\$60,205</b> <hr/>	<hr/> <b>\$73,412</b> <hr/>

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

**VILLAGE OF PORTAGE  
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$145,087		\$145,087
<b>Operating Cash Disbursements:</b>			
Personal Services	5,111		5,111
Employee Fringe Benefits	1,170		1,170
Contractual Services	73,623		73,623
Supplies and Materials	4,571		4,571
Total Operating Cash Disbursements	84,475		84,475
Operating Income	60,612		60,612
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Cash Receipts		\$183,183	183,183
<b>Non-Operating Cash Disbursements:</b>			
Redemption of Principal	4,091		4,091
Interest and Other Fiscal Charges	35,034		35,034
Other Non-Operating Cash Disbursements		184,773	184,773
Total Non-Operating Cash Disbursements	39,125	184,773	223,898
Net Receipts Over/(Under) Disbursements	21,487	(1,590)	19,897
Fund Cash Balances, January 1	159,201	\$1,590	160,791
<b>Fund Cash Balances, December 31</b>	<b>\$180,688</b>		<b>\$180,688</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, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Portage, Wood County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, park operations, and police services. The Village is a member of the Central Joint Fire District which provides fire protection services. This organization is described in Note 9.

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

**B. Accounting Basis**

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

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

**C. Cash and Investments**

The Village values certificates of deposit 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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

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

**VILLAGE OF PORTAGE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(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 Fund:

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

**4. Fiduciary Funds**

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

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

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual 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.

**VILLAGE OF PORTAGE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

A summary of 2007 and 2006 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:

	2007	2006
Demand deposits	\$227,528	\$246,321
Certificate of deposit		7,779
Total deposits	\$227,528	\$254,100

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, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$189,233	\$161,916	(\$27,317)
Special Revenue	32,270	24,669	(7,601)
Enterprise	144,000	143,660	(340)
Total	\$365,503	\$330,245	(\$35,258)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$200,285	\$196,034	\$4,251
Special Revenue	51,210	56,304	(5,094)
Enterprise	170,499	105,530	64,969
Total	\$421,994	\$357,868	\$64,126

**VILLAGE OF PORTAGE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$175,023	\$191,400	\$16,377
Special Revenue	37,979	31,939	(6,040)
Enterprise	136,000	145,087	9,087
Total	\$349,002	\$368,426	\$19,424

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$179,374	\$193,542	(\$14,168)
Special Revenue	96,838	58,332	38,506
Enterprise	162,050	123,600	38,450
Total	\$438,262	\$375,474	\$62,788

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Construction, Maintenance and Repair Fund by \$20,430 due to audit adjustments for the year ended December 31, 2007, and the General fund by \$14,168, the Sewer Fund by \$1,550 for the year ended December 31, 2006.

Contrary to Ohio law, at December 31, 2007, the General fund had a cash deficit balance of \$15,911 and the Street Construction, Maintenance and Repair fund had a cash deficit balance of \$17,809. The Village Council has not developed a plan to eliminate these deficits.

Contrary to Ohio law, a reduced amended certificate was not requested when general fund revenues were less than the amended certificate by \$17,317 at December 31, 2007.

**4. PROPERTY TAX**

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

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.



**VILLAGE OF PORTAGE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2007, was as follows:

	Principal	Interest Rate
Rural Economic and Community Development Loans	\$518,400	5.5 - 5.625%
Truck Lease	21,160	6.85%
Total	\$539,560	

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, 2007, is \$40,000. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The truck lease is with the Ford Motor Company. The lease will be paid from the Street Construction, Maintenance and Repair Fund over the next five years.

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

Year ending December 31:	RECD	Ford Motor Company
2008	\$39,092	\$5,753
2009	39,031	5,753
2010	39,142	5,753
2011	39,013	5,753
2012	39,057	1,438
2013 - 2017	195,321	
2018 - 2022	195,418	
2023 - 2027	195,341	
2028 - 2032	195,320	
Total	\$976,735	\$24,450

**6. RETIREMENT SYSTEM**

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

**VILLAGE OF PORTAGE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**6. RETIREMENT SYSTEM – (CONTINUED)**

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**7. RISK POOL MEMBERSHIP**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 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 retains 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.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2006 and 2005 (the latest information available):

	<b>2006</b>	<b>2005</b>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</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).

**VILLAGE OF PORTAGE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**8. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor 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.

**9. JOINTLY GOVERNED ORGANIZATION**

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

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# Mary Taylor, CPA

Auditor of State

## 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, 2007 and 2006, and have issued our report thereon dated May 27, 2008, 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 Township 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 Township 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-007 through 2007-0010.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2007-007 through 2007-009 are also material weaknesses.

We also noted certain matters that we reported to the Village's management in a separate letter dated May 27, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-008.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 27, 2008.

We intend this report solely for the information and use of the audit committee, management and Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

May 27, 2008

VILLAGE OF PORTAGE  
WOOD COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

**Finding for Recovery**

Village of Portage Ordinance 06-004 sets forth the pay for appointed and hired Village employees for the year 2006. Village of Portage Ordinance 07-005 sets forth the pay for appointed and hired village employees for the year 2007. These ordinances state that the Mayor's Court Clerk shall be paid \$8.50 per hour in 2006 and \$9.00 per hour in 2007.

The Mayor's Court Clerk time sheets for April, 2006 and June 2007 contained mathematical errors in total hours worked. As a result, Valerie Reynolds, Mayor's Court Clerk was overpaid as follows:

<u>Month/Year</u>	<u>Hours Worked</u>	<u>Hours Paid</u>	<u>Hours Overpaid</u>	<u>Hourly Rate</u>	<u>Amount Overpaid</u>
April, 2006	26.50	29.50	3.00	\$8.50	\$25.50
June, 2007	41.75	54.50	12.75	9.00	114.75
Total					<u>\$140.25</u>

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Valerie Reynolds, Former Mayors Court Clerk and the Ohio Government Risk Management, her bonding company, jointly and severally, in the amount of \$140.25, and in favor of Village of Portage General Fund

FINDING NUMBER 2007-002

**Finding for Recovery**

The June 15, 1998 and July 20, 1998 Village of Portage council minutes indicate that the combined position of Clerk/Treasurer shall be paid \$1,250 per month. **Village of Portage Ordinance 07-005** provides that the Mayor's Court Clerk shall be paid \$9.00 per hour.

Sue Kepling, Interim Clerk/Treasurer, was appointed to the office in September 2007. Ms. Kepling was paid \$2,187.50 for the month of September, 2007. As stated above, the position of Village Clerk/Treasurer is to be paid \$1,250 per month. This resulted in an overpayment of \$937.50.

Additionally, Ms. Kepling was appointed as the interim Mayor's Court Clerk. As stated above, the position of Mayor's Court Clerk is to be paid \$9.00 per hour. Ms. Kepling's time sheets for December 2007 contained mathematical errors in total hours worked. As a result, Ms. Kepling was underpaid in the amount of \$81.00.

**FINDING NUMBER 2007-002  
 (Continued)**

Below is the net result of Ms. Kepling's Over/(Under) payments:

<u>Month/Year</u>	<u>Position</u>	<u>Amount Due</u>	<u>Amount Paid</u>	<u>Over/(Under) Payment</u>
September, 2007	Fiscal Officer	\$1,250.00	\$2,187.50	\$937.50
December, 2007	Mayor's Court Clerk	533.25	452.25	(81.00)
Total Net Overpayment		<u>\$1,783.25</u>	<u>\$2,639.75</u>	<u>\$856.50</u>

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended may be hereby issued against Sue Kepling, Interim Clerk/Treasurer, and the Ohio Government Risk Management, her bonding company, jointly and severally, in the amount of \$856.50, and in favor of Village of Portage General Fund.

**FINDING NUMBER 2007-003**

**Finding for Recovery**

Village of Portage Ordinance 06-004 sets forth the pay for appointed and hired Village employees for the year 2006. This Ordinance states that police officers shall be paid \$12.50 per hour.

Police Officer Charles Broshious time sheet for August 16, 2006 contained a mathematical error in total hours worked and was overpaid as follows:

<u>Pay Date</u>	<u>Hours Worked</u>	<u>Hours Paid</u>	<u>Hours Overpaid</u>	<u>Hourly Rate</u>	<u>Amount Overpaid</u>
August 16, 2006	51.5	61.5	10.0	\$12.50	\$125.00

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074: Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 OP. Atty Gen. No. 80-074.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Charles Broshious, Police Officer, Valerie Reynolds, former Village Clerk/Treasurer, and Ohio Risk Government Management, her bonding company, jointly and severally, in the amount of \$125.00, and in favor of the Village of Portage General Fund.

Valerie Reynolds, former Village Clerk/Treasurer, shall be secondarily liable for such illegal expenditure to the extent that recovery or restitution is not obtained from Charles Broshious, Police Officer.



### FINDING NUMBER 2007-004

#### Finding for Recovery Repaid Under Audit

Village of Portage Ordinance 06-004 sets forth the pay for appointed and hired Village employees for the year 2006. This Ordinance states that the Police Chief shall be paid \$15 per hour.

Police Chief Allan Baer's November 20, 2006, timesheet contained a mathematical error in total hours worked and was overpaid as follows:

<u>Pay Date</u>	<u>Hours Worked</u>	<u>Hours Paid</u>	<u>Hours Overpaid</u>	<u>Hourly Rate</u>	<u>Amount Overpaid</u>
November 20, 2006	40	50	10	\$15.00	\$150.00

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Allan Baer, Police Chief in the amount of \$150.00, and in favor of the Village of Portage General Fund.

Repayment of the finding was made by Allan Baer, former Police Chief, on receipt 36-2008 dated April 14, 2008.

### FINDING NUMBER 2007-005

#### Noncompliance Citation

Ohio Revised Code §5705.41(D) 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

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

**FINDING NUMBER 2007-005  
(Continued)**

**1. (Continued)**

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

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

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

For seventy-eight percent of the transactions tested, certification was not obtained nor was a then and now certificate utilized because the Clerk-Treasurer did not sign the certification. Certification is not only required by Ohio law but is a key control in the disbursement process to assure that 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. Also, the Council did not establish the amounts for the blanket certificates issued, as required by law.

To improve controls over disbursements, it is recommended that all Village non-payroll disbursements receive prior certification of the fiscal officer and the amount of the certification be completed on the purchase order. When prior certification is not possible, a Then and Now Certificate should be executed. In addition we recommend the Village Council set a limit for blanket purchase orders.

**FINDING NUMBER 2007-006**

**Noncompliance Citation**

Ohio Rev. Code §5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code §5705.36(A) (4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The amended certificate of the General fund for fiscal year 2007 was estimated at \$179,233 while actual revenues were only \$161,916. The Village received \$17,317 less than anticipated and took no action on reducing available resources or appropriations. As a result, the general fund of the Village has a deficit fund balance of \$15,911 as of December 31, 2007. We recommend the Village Council and fiscal officer review budgetary statements and reduce amended certificate amounts and appropriations in order to prevent overspending Village funds.

**FINDING NUMBER 2007-007**

**Noncompliance Citation – Material Weakness**

Ohio Revised Code § 5705.10 requires money paid into any fund shall be used only for the purpose for which such fund is established. Deficit fund balances denote that other funds' monies were used to cover expenditures. The General Fund had a deficit balance of \$15,911 and the Street Construction, Maintenance and Repair Fund had a deficit balance of \$17,809 at December 31, 2007 which was a result from the following audit adjustments:

- Village payrolls were posted to funds which did not receive the benefit of labor performed.
- Various expenditures such as mosquito spraying, community leaf pickup, police car repairs, catch payment repair, UAN fees and the purchase of a truck were paid from funds having cash available rather than from the fund responsible for the obligation.
- The Village financial records reflected motor vehicle license and gasoline tax funds revenues not distributed to the correct funds.
- The Village financial records did not reconcile as of December 31, 2007. The fiscal officer posted amounts to create balanced books. The errors in reconciliations included inaccurate outstanding checklist.
- The 2006 Village financial records did not balance. The fiscal officer made an adjusting entry to reduce the general fund balance by \$1,985. The errors in the books were identified during audit for Certificate of Deposit proceeds recorded as new revenue, check charges not posted, errors in posting receipts erroneous posting to void checks and posting July 2006 interest twice.

The Village Fiscal Officer posted the required adjustments to the Village records and they are reflected in the accompanying financial statements.

Sound financial reporting is the responsibility of the Fiscal Officer, Mayor and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend a comparison between the tax settlement sheets provided by the Wood County Auditor and the UAN receipt posting be performed to ensure the Village's financial statements are complete and accurate.

**FINDING NUMBER 2007-008**

**Noncompliance Citation – Material Weakness**

Ohio Revised Code §5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations in the following funds and functions throughout the year:

Fund	Function	Appropriation	Expenditure	Difference
<b>2007</b>				
General Fund	Mayor's Court	\$17,944	\$20,385	(\$2,441)
General Fund	Capital Outlay	(\$1,200)		(\$1,200)
Street Construction, Maintenance and Repair Fund	Principal Payments		\$1,810	(\$1,810)
Street Construction, Maintenance and Repair Fund	Interest Payments		\$347	(\$347)
Street Construction, Maintenance and Repair Fund	Capital Outlay		\$24,849	(\$24,849)
Permissive Tax	Capital Outlay	(\$2,900)		(\$2,900)
Sewer Fund	Administration	\$9,150	\$20,646	(\$11,496)

**FINDING NUMBER 2007-008  
 (Continued)**

Fund	Function	Appropriation	Expenditure	Difference
<b>2006</b>				
General Fund	Police Enforcement	\$107,985	\$119,852	(\$11,867)
General Fund	Mayor's Court	\$17,820	\$17,989	(\$169)
General Fund	Clerk-Treasurer	\$14,645	\$14,740	(\$95)
General Fund	Transfers Out	\$150	\$354	(\$204)
Parks Fund	Leisure Time Activities	\$585	\$702	(\$117)
Sewer Fund	Other	\$69,239	\$79,950	(\$10,711)

These deficiencies occurred because several supplemental appropriations were posted to the books that had not been approved by Village Council, audit adjustments and supplemental appropriations approved from the wrong account code. We recommend the fiscal officer and Village Council monitor budgets on a monthly basis and make modifications as necessary. We further recommend only supplemental appropriations be posted once Village Council has adopted an ordinance authorizing supplements.

**FINDING NUMBER 2007-009**

**Financial Reporting Controls – Material Weakness**

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

1. The minutes did not include documentation of monthly financial reports being presented or reviewed.
2. Council was not provided financial reports.
3. No indication was noted if a review by Council, or a representative of Council, was performed on the Clerk-Treasurer's bank account reconciliation. The following errors were noted in testing the reconciliations:
  - a. The 2006 and 2007 bank account reconciliations included adjustments which had not been identified. The reconciliation process is designed to detect errors which need to be corrected.
  - b. The December 31, 2006, bank reconciliation had \$1,985 less than the books of which \$1,077 was carried over from fiscal year 2005. The differences had not been specifically identified by the Clerk-Treasurer. The differences in 2005 included posting \$1,000 as a receipt when this amount was part of the certificate of deposit proceeds and a check charge which had not been posted. The differences in 2006 included several errors in posting of receipts and receipting the amounts of two stale checks without voiding the checks on the UAN system.
  - c. The December, 31, 2007, bank reconciliation did not reconcile by \$277 to the books. The Clerk-Treasurer had posted memo receipts for \$210 and \$67, which resulted in the bank account to balance. We noted one check in the amount of \$199 had been removed from the outstanding checklist without clearing the bank or being voided.

**FINDING NUMBER 2007-009  
(Continued)**

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

1. Document Council's review of the financial reports in the minutes.
2. Reports presented to Council should provide Cash Summary by Fund, Revenue Status Report, Expenditure Status Report, Bank Reconciliation, Receipt Report, and Expense Report (lists all checks to be paid) to assist Council in their decision making.
3. Council or their designee should review bank account reconciliations including verification of bank balances and reconciling items with the bank statements and books of the Village.

**FINDING NUMBER 2007-010**

**Mayor's Court – Significant Deficiency**

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

1. The Mayor's Court Clerk distributed fines and costs in October to the General Fund of the Village. The portion of fines and costs due to the State of Ohio for September and October were not remitted until November 30, 2007. The decision was made to distribute fines and costs in this manner because the General Fund of the Village needed cash to pay its obligations. This weakness could result in the Village having insufficient cash to remit the State's portion of fines. In addition, the fines and costs paid to the Village general fund are rounded dollar amounts rather than distributing all of the fines and costs each month.
2. The Court bank account showed no evidence of being reconciled after November 30, 2006, with the exception of the April 30, 2007 reconciliation. Lack of written bank reconciliations could result in bank account errors remaining undetected.
3. Twenty-five percent of the total court receipts were not deposited daily. Court receipts could not be matched to the deposit slips from September 5, 2007 through December 31, 2007 for forty-seven cases. In a few cases, receipts had been erroneously issued twice or included court costs for two cases when court costs are only charged once for related cases. A receipt issued in duplicate or for more than the amount actually received resulted in the appearance of a cash shortage. Not depositing receipts daily could result in revenues being lost or misplaced.
4. The Mayor's Court Clerk did not print the monthly reports from the computer system and retain them. Accounting records provide a source for monitoring receipts and court activity. Lack of printed report weakens the controls over cash activity.

**FINDING NUMBER 2007-010  
(Continued)**

In order to correct these weaknesses, we recommend the following:

1. We recommend the Mayor's Court Clerk distribute all fines and costs at the end of each month to the Village and State.
2. We recommend written bank reconciliations be prepared monthly.
3. We recommend the Mayor's court Clerk deposit all receipts daily and care be taken to ensure the receipts are issued only for actual money received. In addition, we recommend someone independent of the court function review case files and compare deposits with the amounts posted to ensure all funds receipted are deposited.
4. We recommend the Mayor's court report options be reviewed and useful reports be printed. At a minimum, the Monthly cashbook report should be printed monthly.

**Officials Response:** We did not receive a response from Official's to the findings reported above.

VILLAGE OF PORTAGE  
WOOD COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006

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>
2005-001	Ohio Revised Code 5705.41(D), the Fiscal Officer did not certify the availability of funds.	No	Repeated as Finding 2007-005.







**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF PORTAGE**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 24, 2008**