



Dave Yost • Auditor of State

VILLAGE OF PORTAGE
WOOD COUNTY

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Dave Yost • Auditor of State

ACCOUNTANTS' REPORT

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

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Portage, Wood County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, following Ohio Administrative Code § 117-4-02.

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

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 11, 2012

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**VILLAGE OF PORTAGE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$12,222	\$4,121	\$16,343
Municipal Income Tax	83,774		83,774
Intergovernmental	8,019	40,271	48,290
Special Assessments		8,091	8,091
Fines, Licenses and Permits	4,140		4,140
Earnings on Investments	145	196	341
Miscellaneous	1,814	510	2,324
	<u>110,114</u>	<u>53,189</u>	<u>163,303</u>
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
Security of Persons and Property	5,633	6,097	11,730
Public Health Services	380		380
Leisure Time Activities		118	118
Community Environment	613		613
Transportation		12,736	12,736
General Government	49,407	96	49,503
Debt Service:			
Principal Retirement	4,636	5,451	10,087
Interest and Fiscal Charges	1,098	302	1,400
	<u>61,767</u>	<u>24,800</u>	<u>86,567</u>
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts Over Disbursements</i>	<u>48,347</u>	<u>28,389</u>	<u>76,736</u>
Other Financing Receipts (Disbursements)			
Transfers In		215	215
Transfers Out	(215)		(215)
	<u>(215)</u>	<u>215</u>	<u></u>
<i>Total Other Financing Receipts (Disbursements)</i>			
<i>Net Change in Fund Cash Balances</i>	48,132	28,604	76,736
<i>Fund Cash Balances, January 1</i>	<u>(151,704)</u>	<u>(13,495)</u>	<u>(165,199)</u>
Fund Cash Balances, December 31			
Restricted		22,397	22,397
Committed		8,058	8,058
Unassigned (Deficit)	(103,572)	(15,346)	(118,918)
	<u>(103,572)</u>	<u>(15,346)</u>	<u>(118,918)</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$103,572)</u>	<u>\$15,109</u>	<u>(\$88,463)</u>

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$143,812		\$143,812
Operating Cash Disbursements			
Personal Services	2,518		2,518
Employee Fringe Benefits	451		451
Contractual Services	54,382		54,382
Supplies and Materials	5,496		5,496
<i>Total Operating Cash Disbursements</i>	<u>62,847</u>		<u>62,847</u>
<i>Operating Income</i>	<u>80,965</u>		<u>80,965</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(11,700)		(11,700)
Interest and Other Fiscal Charges	(27,313)		(27,313)
Other Financing Sources		\$1,917	1,917
Other Financing Uses		(2,086)	(2,086)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(39,013)</u>	<u>(169)</u>	<u>(39,182)</u>
<i>Net Change in Fund Cash Balances</i>	41,952	(169)	41,783
<i>Fund Cash Balances, January 1</i>	<u>256,758</u>	<u>290</u>	<u>257,048</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$298,710</u></u>	<u><u>\$121</u></u>	<u><u>\$298,831</u></u>

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$17,897	\$3,462	\$21,359
Municipal Income Tax	79,930		79,930
Intergovernmental	7,214	21,811	29,025
Special Assessments		8,195	8,195
Fines, Licenses and Permits	9,778		9,778
Earnings on Investments	17	80	97
Miscellaneous	6,545	963	7,508
<i>Total Cash Receipts</i>	<u>121,381</u>	<u>34,511</u>	<u>155,892</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	16,732	7,073	23,805
Public Health Services	390		390
Leisure Time Activities		118	118
Community Environment	688		688
Transportation		16,785	16,785
General Government	77,829	103	77,932
Debt Service:			
Redemption of Principal	4,053	5,091	9,144
Interest and Fiscal Charges	1,825	688	2,513
<i>Total Cash Disbursements</i>	<u>101,517</u>	<u>29,858</u>	<u>131,375</u>
<i>Excess of Receipts Over Disbursements</i>	<u>19,864</u>	<u>4,653</u>	<u>24,517</u>
Other Financing Disbursements			
Other Financing Uses	<u>(303)</u>		<u>(303)</u>
Net Change in Fund Cash Balance	19,561	4,653	24,214
<i>Fund Cash Balances, January 1</i>	<u>(171,265)</u>	<u>(18,148)</u>	<u>(189,413)</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$151,704)</u>	<u>(\$13,495)</u>	<u>(\$165,199)</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$427</u>	<u>\$125</u>	<u>\$552</u>

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
	\$149,645		\$149,645
Operating Cash Disbursements:			
Personal Services	1,336		1,336
Employee Fringe Benefits	486		486
Contractual Services	51,824		51,824
Supplies and Materials	1,641		1,641
<i>Total Operating Cash Disbursements</i>	55,287		55,287
<i>Operating Income</i>	94,358		94,358
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts		\$10,332	10,332
Non-Operating Cash Disbursements:			
Redemption of Principal	20,600		20,600
Interest and Other Fiscal Charges	53,706		53,706
Other Non-Operating Cash Disbursements		11,908	11,908
<i>Total Non-Operating Cash Disbursements</i>	74,306	11,908	86,214
Net Change in Fund Cash Balance	20,052	(1,576)	18,476
<i>Fund Cash Balances, January 1</i>	236,706	1,866	238,572
<i>Fund Cash Balances, December 31</i>	\$256,758	\$290	\$257,048
<i>Reserve for Encumbrances, December 31</i>	\$18		\$18

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, 2011 AND 2010**

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, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, and park operations.

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

Jointly Governed Organizations:

Central Joint Fire District provides fire services.

Mid-County Ambulance District provides ambulance services.

Public Entity Risk Pool:

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

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

B. Accounting Basis

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

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

C. Fund Accounting

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

1. General Fund

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

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

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

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

Special Assessments Lights – This fund receives assessments to provide lighting for the Village.

3. Enterprise Funds

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF PORTAGE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

	2011	2010
Demand deposits	\$210,368	\$91,849

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$102,486	\$110,114	\$7,628
Special Revenue	35,844	53,404	17,560
Enterprise	127,966	143,812	15,846
Total	\$266,296	\$307,330	\$41,034

**VILLAGE OF PORTAGE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,108	\$61,982	\$17,126
Special Revenue	36,551	24,800	11,751
Enterprise	150,958	101,860	49,098
Total	\$266,617	\$188,642	\$77,975

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$100,131	\$121,381	\$21,250
Special Revenue	35,377	34,511	(866)
Enterprise	137,900	149,645	11,745
Total	\$273,408	\$305,537	\$32,129

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$93,084	\$102,247	(\$9,163)
Special Revenue	43,303	29,983	13,320
Enterprise	183,782	129,611	54,171
Total	\$320,169	\$261,841	\$58,328

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.

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

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

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Local Income Tax

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

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

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Rural Economic and Community Development Loans	\$475,000	5.5 - 5.625%
Truck Lease	476	6.85%
Mower Lease	6,671	11.99%
Total	<u>\$482,147</u>	

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

The RECD loan agreement covenant requires the Village to establish and fund a sewer debt reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2011, is \$40,800. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover debt service requirements.

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

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

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

Year ending December 31:	<u>RECD</u>	<u>Ford Motor Company</u>	<u>Advanced Acceptance</u>
2012	\$39,057	\$479	\$5,734
2013	39,061		1,434
2014	39,126		
2015	39,046		
2016	39,026		
2017-2021	195,336		
2022-2026	195,476		
2026-2030	195,253		
2031-2032	39,076		
Total	<u>\$820,457</u>	<u>\$479</u>	<u>\$7,168</u>

**VILLAGE OF PORTAGE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Retirement System

The Village's employees 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

8. Risk Management

Risk Pool Membership

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

**VILLAGE OF PORTAGE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Risk Management (Continued)

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate participates in this coverage.

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.

9. Jointly Governed Organizations

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

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

10. Fiscal Management

As of December 31, 2011, the General fund balance was negative \$103,572. Other deficit balances at that time include the Street Maintenance and Repair Fund with a negative balance of \$13,460, and the Park Fund with a negative balance of \$1,886.

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

- On January 1, 2009, the Village imposed a 1% income tax.
- The police department was eliminated as of December 31, 2009 and the Mayor's Court Clerk position was eliminated two months later.
- As of January 1, 2010 the position of sewer clerk was eliminated.
- The Village's part-time employee's hours were reduced.
- The Clerk/Treasurer and Sewer Clerk positions were eliminated and a Fiscal Officer position was created with the hiring of a new Fiscal Officer.
- There were no pay raises and Council has voted to give pay cuts to all Council Members and the Mayor with the start of each position's new term.
- Reduced Village Administrator's salary.
- Managed various Village services to reduce costs in 2011.

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

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Portage, Wood County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010 following Ohio Administrative Code § 117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting, we noted matters that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the schedule of findings as items 2011-005 through 2011-007.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements, applicable to the Village. Noncompliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2011-001 through 2011-004.

The Village's responses to the findings identified in our engagement are described in accompanying schedule of findings. We did not audit the Village's responses and accordingly, we express no opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

July 11, 2012

**VILLAGE OF PORTAGE
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2011-001

Noncompliance Citation

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

The Village Council did not authorize the necessary tax levies for 2011 or 2010.

Officials' Response:

The Village obtained a variance from the County when dates had passed to implement taxing actions. We will prepare an annual timeline of events to better track and thus, not miss such event deadlines

FINDING NUMBER 2011-002

Noncompliance Citation

Ohio Revised Code, § 5705.41(D)(1), states no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

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

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

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.

FINDING NUMBER 2011-002
(Continued)

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

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

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

Officials' Response:

The Village shall need to address these with a blanket certificate, resolution, or some other method and welcomes a proposed solution.

FINDING NUMBER 2011-003

Noncompliance Citation

Ohio Revised Code, §135.22, states that a subdivision treasurer must complete annual continuing education program offered by the Treasurer of State. The Treasurer of State issues a certificate indicating that the treasurer has successfully completed the continuing education program. The continuing education requirement does not apply to a subdivision treasurer who annually provides a notice of exemption to the Auditor of State, certified by the Treasurer of State, that the treasurer is not subject to the continuing education requirements because the treasurer invests or deposits public funds in the following investments:

- (1) Interim deposits pursuant to §135.14 (B)(3):
- (2) STAR Ohio Pursuant to §135.14 (B)(3):
- (3) No load money market mutual funds pursuant to §135.14 (B)(5).

Also **Ohio Revised Code, §733.27**, requires new village fiscal officers to attend new village fiscal officer training and then to attend annually continuing education programs provided by the Auditor of State. The Clerk did not attend the annual continuing education programs as required. The annual trainings are a useful way for Clerks to stay knowledgeable of the changes to accounting and legal requirements for Villages.

**FINDING NUMBER 2011-003
(Continued)**

The Fiscal Officer did not attend the required training for investments nor did he file a notice of exemption. The Fiscal Officer also did not attend the new fiscal officer training or the annual continuing education. Not having the proper amount of training could result in errors to the financial statements and investing in investments that are not allowable for this entity. We recommend the Fiscal Officer attend the required training and/or send in the notice of exemption annually for the investment training.

Officials' Response:

We agree the initial FO training or annual training as outlined above did not occur. This training will be schedule as soon as is reasonably possible. The fiscal officer is an active CPA in the state of Ohio and has prior experience auditing and working with fund accounting.

FINDING NUMBER 2011-004

Noncompliance Citation

Ohio Revised Code, §109.43(B) and 149.43(E)(1), states that officials elected to statewide or local offices receive three hours of Public Records training for each term of office. The training must be certified by the Ohio Attorney General. Proof that training has been completed must include documentation that either the Attorney General's office or another entity certified by the Attorney General provided the training.

If the elected official so chooses, the law allows a designee to be appointed to receive the training on the elected official's benefit. The designee must be an employee in the public office and there must be evidence of the designation. If there is more than one elected official in the public office, the designee should be the designee of all the elected officials within the office.

By September 29, 2007, all public offices were required to adopt a policy that describes how the public office will be responding to public records request. A poster that describes the public office's policy must be created and posted in a conspicuous place in the public office.

Village officials did not attend the Public Records training nor did they create a policy describing how they will respond to public records request. We recommend the Village officials attend the training and create a public records request policy.

Officials' Response:

Council will review this requirement and comply as soon as is reasonably possible.

FINDING NUMBER 2011-005

Signing the Minutes

None of minutes from January 2010 to December 2011 were signed by the Mayor and the Fiscal Officer indicating the minutes had been reviewed and approved in form. Minutes of Council's meetings provide a history and documentation of Council's decisions.

We recommend the Mayor and Fiscal Officer review and then sign the minutes indicating their approval.

**FINDING NUMBER 2011-005
(Continued)**

Officials' Response:

Council will review this request and determine its plausibility. This will instill that written and hardcopy minutes are required and necessary. Currently, final minutes are approved by Council at the next meeting and maintained electronically on and off-site.

FINDING NUMBER 2011-006

Mayor's Court Due Diligence

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

1. None of the credit card receipts and not all of the bank deposits are being posted in the checkbook.
2. The bank fees and credit card fees were not posted to the checkbook.
3. The Mayor's Court bank account showed no evidence of being reconciled.

Failure to record all transactions and reconcile the account has resulted in errors in Mayor's Court to go undetected and could result in the improper distribution of Court revenues.

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

1. All receipts be posted to the checkbook
2. All bank fees be posted to the checkbook
3. Written bank reconciliations should be prepared monthly and reviewed and approved by Council.

Officials' Response:

We agree with the above recommendations and will review the appropriate steps to take at this time, as the Mayor's Court is no longer functioning and has little to no activity.

FINDING NUMBER 2011-007

Payroll Pickup

The Village is reimbursing for the Fiscal Officer's Medicare and one of the Council Member's Social Security without Council approval. This has lead to over payment of the Fiscal Officer and the Council Member, \$13 and \$30 in 2011 and \$10 and \$59 in 2010, respectively. Adequate training on the UAN system would help to reduce the possibility of this occurring.

We recommend the UAN payroll system be corrected to reflect Council's wishes and for the Assistant Fiscal Officer to receive adequate UAN training for the payroll program. In addition, we recommend the Village request reimbursement for the improper Medicare and Social Security payments.

Officials' Response:

The errors occurring infrequently in UAN will be reviewed in more detail, corrected, and assured through appropriate follow-up steps once detailed. Training will be considered after this review and discussion with the LGS liason.

**VILLAGE OF PORTAGE
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Finding for Recovery for over payment of payroll to former Clerk/Treasurer – Sue Kepling	Yes	
2009-002	Finding for Recovery for over payment of payroll to former Clerk/Treasurer – Bruce Sheperd	Yes	
2009-003	ORC §5705.41(D) – certification of expenditures.	No	Repeated as finding number 2011-002 in this report
2009-004	ORC §5705.39 – appropriations exceeding estimated revenue	Yes	
2009-005	ORC 5705.36 - amending certificate of estimated receipts	Yes	
2009-006	ORC 5705.34 - authorizing the necessary tax levies and certifying them to the County Auditor	No	Repeated as finding number 2011-001 in this report
2009-007	ORC 5705.39 – filing appropriations with the County Auditor	Yes	
2009-008	ORC 145.47(B) – untimely filing of OPERS	Yes	
2009-009	ORC 9.38 – not depositing with 24 hours	Yes	
2009-010	ORC 5705.10(H) – deficit fund balances	No	Will not repeat due to fiscal emergency
2009-011	Financial Reporting Controls	Yes	
2009-012	Accountability of Mayor’s Court Activity	No	Repeated as finding number 2001-006 in this report

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Dave Yost • 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
JULY 26, 2012