



Mary Taylor, CPA
Auditor of State

VILLAGE OF PORT WILLIAM
CLINTON COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Port William
Clinton County
227 ½ Main Street
Port William, Ohio 45164

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

August 11, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Port William
Clinton County
227 ½ Main Street,
Port William, Ohio 45164

To the Village Council:

We have audited the accompanying financial statements of the Village of Port William, Clinton County, Ohio (the Village), as of and for the years ended December 31, 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.

As discussed in Note 8 to the financial statements, the Village has a negative General Fund balance of \$10,698 as of December 31, 2007. Note 8 to the financial statements describes that management is considering plans to address this issue; however, no specific plans are discussed.

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, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Port William, Clinton 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 August 11, 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

August 11, 2008

**VILLAGE OF PORT WILLIAM
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$11,023	\$0	\$11,023
Intergovernmental	9,008	54,485	63,493
Charges for Services		107,799	107,799
Fines, Licenses and Permits	458		458
Earnings on Investments	1,880	365	2,245
Miscellaneous	5,750	504	6,254
Total Cash Receipts	28,119	163,153	191,272
Cash Disbursements:			
Current:			
Security of Persons and Property	9,206	253,139	262,345
Basic Utility Service	5,411	3,426	8,837
Transportation		20,027	20,027
General Government	17,153		17,153
Total Cash Disbursements	31,770	276,592	308,362
Total Receipts (Under) Disbursements	(3,651)	(113,439)	(117,090)
Other Financing Receipts / (Disbursements):			
Proceeds of Bonds		125,000	125,000
Transfers-Out	(2,500)		(2,500)
Other Financing Uses		(6,000)	(6,000)
Total Other Financing Receipts / (Disbursements)	(2,500)	119,000	116,500
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(6,151)	5,561	(590)
Fund Cash Balances, January 1	(4,547)	123,408	118,861
Fund Cash Balances, December 31	(\$10,698)	\$128,969	\$118,271

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

VILLAGE OF PORT WILLIAM
CLINTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Enterprise</u>
Non-Operating Cash Disbursements:	
Redemption of Principal	<u>\$2,500</u>
Total Non-Operating Cash Disbursements	<u>2,500</u>
Receipts (Under) Disbursements Before Interfund Transfers	(2,500)
Transfers-In	<u>2,500</u>
Net Receipts Over/(Under) Disbursements	0
Fund Cash Balances, January 1	<u>34</u>
Fund Cash Balances, December 31	<u><u>\$34</u></u>

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

**VILLAGE OF PORT WILLIAM
CLINTON COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$10,924	\$0	\$10,924
Intergovernmental	9,940	23,889	33,829
Charges for Services	0	63,540	63,540
Fines, Licenses and Permits	439		439
Earnings on Investments	1,874	321	2,195
Miscellaneous	5,127	632	5,759
Total Cash Receipts	28,304	88,382	116,686
Cash Disbursements:			
Current:			
Security of Persons and Property	8,225	77,164	85,389
Basic Utility Service	4,769	2,848	7,617
Transportation		23,457	23,457
General Government	19,770		19,770
Total Cash Disbursements	32,764	103,469	136,233
Total Receipts (Under) Disbursements	(4,460)	(15,087)	(19,547)
Other Financing (Disbursements):			
Transfers-Out	(2,500)		(2,500)
Total Other Financing (Disbursements)	(2,500)	0	(2,500)
Cash Receipts (Under) Cash Disbursements and Other Financing Disbursements	(6,960)	(15,087)	(22,047)
Fund Cash Balances, January 1	2,413	138,495	140,908
Fund Cash Balances, December 31	(\$4,547)	\$123,408	\$118,861
Reserve for Encumbrances, December 31	\$257	\$13,973	\$14,230

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

VILLAGE OF PORT WILLIAM
CLINTON COUNTY

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

	<u>Enterprise</u>
Non-Operating Cash Disbursements:	
Redemption of Principal	<u>\$2,500</u>
Total Non-Operating Cash Disbursements	<u>2,500</u>
Receipts (Under) Disbursements Before Interfund Transfers	(2,500)
Transfers-In	<u>2,500</u>
Net Receipts Over/(Under) Disbursements	0
Fund Cash Balances, January 1	<u>34</u>
Fund Cash Balances, December 31	<u><u>\$34</u></u>

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

**VILLAGE OF PORT WILLIAM
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 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 Port William, Clinton County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street maintenance, fire and police services.

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 Deposits

The Village funds are pooled in a checking account and certificates of deposit with a local commercial bank. Interest is recognized and recorded when received. The Village values certificates of deposit at cost.

D. 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.

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.

Fire Fund – This fund receives contract money from other governments to provide fire services.

**VILLAGE OF PORT WILLIAM
CLINTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

3. Enterprise Fund

This fund account for operations that is 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 accounts for the loan payment to OWDA. This fund had previously received loan proceeds for a future wastewater treatment facility.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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. Appropriations lapse at year end.

2. Estimated Resources

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

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 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.

**VILLAGE OF PORT WILLIAM
CLINTON COUNTY**

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

2. Equity in Pooled Cash and Deposits

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

	2007	2006
Demand deposits	\$78,305	\$78,895
Certificates of deposit	40,000	40,000
Total deposits	\$118,305	\$118,895

Deposits: 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	\$0	\$28,119	\$28,119
Special Revenue	\$0	288,153	288,153
Enterprise	\$0	2,500	2,500
Total	\$0	\$318,772	\$318,772

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,741	\$34,270	\$12,471
Special Revenue	328,891	282,592	46,299
Enterprise	0	2,500	(2,500)
Total	\$375,632	\$319,362	\$56,270

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,200	\$28,304	(\$17,896)
Special Revenue	123,500	88,382	(35,118)
Enterprise	0	2,500	2,500
Total	\$169,700	\$119,186	(\$50,514)

**VILLAGE OF PORT WILLIAM
CLINTON COUNTY**

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

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$42,557	\$35,521	\$7,036
Special Revenue	234,874	117,442	117,432
Enterprise	0	2,500	(2,500)
Total	\$277,431	\$155,463	\$121,968

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer Fund by \$2,500 for the years ended December 31, 2007 and 2006. During 2007, budgetary expenditures exceeded appropriation authority in the Street Fund.

Contrary to Ohio Law at December 31, 2006, the General Fund had a cash deficit balance of \$4,547; and a cash deficit balance of \$10,798 at December 31, 2007. The deficit balance was a result of inadequate record keeping and controls.

The Village did not obtain prior certification of the availability of funds from the fiscal officer for all commitments.

The Villages appropriations exceeded estimated resources contrary to Ohio Law.

The Village did not properly post receipts in 2007 and 2006 into the established funds as required by Ohio Revised Code, Sections 5705.09 and 5705.10.

The Village did not certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year for 2006 or 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.

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 PORT WILLIAM
CLINTON COUNTY**

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

5. Debt

Debt outstanding at December 31, 2007 was as follows:

Principal	<u>Interest Rate</u>
\$2,500	0%
125,000	4.125%
<u>\$127,500</u>	

The Village received a loan from the Ohio Water Development Authority (OWDA) to be used to assist with the costs of completing the general plan and preparation of a Rural Development application for a new wastewater treatment system. The eligible loan amount for planning was \$25,000.

The Village issued \$125,000 in acquisition bonds through the United States Department of Agriculture, Rural Development, to finance the purchase of a rescue truck. The Village is required to establish a separate fund to account for the debt. The Village's taxing authority collateralized the bonds.

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

Year ending December 31:	<u>OWDA Loan</u>	<u>Rescue Truck Acquisition Bonds</u>
2008	\$2,500	\$15,396
2009		15,382
2010		15,382
2011		15,382
2012		15,391
2013-2017		76,917
Total	<u>\$2,500</u>	<u>\$153,850</u>

6. Retirement Systems

Employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

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, 2006. The Village did not remit the employees share of OPERS for the months of June, September and October of 2007, nor did they pay the employer's share of OPERS for two quarters.

**VILLAGE OF PORT WILLIAM
CLINTON COUNTY**

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

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles.

8. Negative Fund Balances

As of December 31, 2007, the General Fund had a deficit fund balance of ten thousand six hundred and ninety eight dollars (\$10,698). As of December 31, 2006, the General Fund had a deficit fund balance of four thousand five hundred and forty seven dollars (\$4,547). The Village officials are aware of the deficit and are considering plans to eliminate the deficit.

9. Compliance

The fiscal officer failed to accurately maintain the Village's books as required Ohio Revised Code, Section 733.28

The Village did not remit payments to OPERS in accordance with Ohio Revised Code, Section 145.47 and 145.18.

The Village did not remit withholdings to the Internal Revenue Service as required by 26 United States Code Section 3102(A) and 3402.

The Village did not retain records in accordance with Ohio Rev. Code Section 149.351.

The Village did not properly allocate interest among funds as required by Ohio Revised Code, Section 135.21

The Village did not document that certain expenditures served a proper public purpose in accordance with Attorney General Opinion 82-006.



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 Port William
Clinton County
227 ½ Main Street
Port William, Ohio 45164

To the Village Council:

We have audited the financial statements of the Village of Port William, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 11, 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 noted that the Village has a negative General Fund balance at December 31, 2007. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting 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: 2007-001, 2007-002, and 2007-012.

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 2007-001, 2007-002, 2007-012 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 11, 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 item 2007-001 through 2007-012.

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 August 11, 2008.

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

August 11, 2008

VILLAGE OF PORT WILLIAM
CLINTON 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

Material Noncompliance and Material Weakness

Ohio Rev. Code, Section 5705.09 (F), provides that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. **Ohio Rev. Code, Section 5705.10 (H)**, provides that monies paid into any fund shall be used only for the purpose for which such fund is established.

Additionally, **Ohio Rev. Code, Section 733.28**, states, in part, that the village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and the income derived therefrom, and all taxes and assessments.

Monies were not always posted to the particular fund specified by their purpose. The Village received monies for taxes, loan proceeds and intergovernmental receipts which were misposted to the miscellaneous line item and the sale of fixed assets line item. The Village also misposted the tax settlement and intergovernmental receipts to the miscellaneous line item. In addition, monies received for ambulance runs were posted to the miscellaneous receipts line item instead of Charges for Services line item. As a result, the records maintained by the Clerk were not an accurate reflection of all moneys received and expended by the Village. Audit adjustments have been posted to the Village's financial records and are reflected in the accompanying financial statements to properly reflect receipts and disbursements of the Village. The following table reflects the net effect of audit adjustments.

	General Fund	Street Construction Maintenance Fund	Fire Fund
Net Effect of Adjustments on Fund Balance	(\$878.08)	(\$7,297.07)	\$8,175.15

More care should be given to the posting of the Village's receipts. Since this information is carried forward to the Village's annual financial report and is the presentation of the Village's financial position, it is of the utmost importance that the report fairly and accurately present the Village's true financial status. Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Village funds, 2) reduces the Council's ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that fraud or theft will occur and not be detected, and 4) increases the likelihood that the financial statements will be misstated.

We recommend the Clerk accurately maintain the accounting records in accordance with the Uniform Accounting Network Accounting Manual prescribed by the Auditor of State and the *Ohio Village Handbook appendix*. The Village should adopt procedures to properly monitor the Village's financial activity, including periodic review of the records, (i.e. reconciliations, etc) to determine accuracy and to verify that proper procedures were followed by the fiscal officer. These periodic reviews should be noted in the minutes, and documents reviewed should be initialed by the reviewer.

FINDING NUMBER 2007-002

Material Noncompliance and Material Weakness

Ohio Rev. Code, Sections 145.47 and 145.48, require public employees who are members of the Ohio Public Employees Retirement System (OPERS) to contribute a portion of their earnable salary or compensation to the OPERS employees' fund. The fiscal officer of each local authority shall deduct from the compensation of each member on every payroll period subsequent to the date such employee became a member, an amount equal to the applicable percent of such member's earnable salary or compensation. It also requires each employer to pay to the employer's accumulation fund an amount which shall be a certain percent of the earnable compensation of all members to be known as the "employer contribution."

The Village withheld the employees' share of OPERS, but did not remit the employees' share of OPERS for the months of June, September, and October 2007, nor did they pay the employer's share of OPERS for two quarters of that same year. The Village paid a total of \$2,482.52 on a balance of \$3,750.01 leaving \$1,267.49 unpaid. In addition, the Village Police Chief also has OPERS withheld and submitted instead of Ohio Police and Fire due to the part-time status of the position. The Village does not have any written job description for the Police Chief's position that specifically outlines the part-time employment status of the position. We recommend that the Village have a written job description for the Police Chief position that includes information pertaining to the part-time status of the position. Having a written description for the Police Chief position will serve to document the part-time status of the position for purposes of withholding amounts under OPERS.

FINDING NUMBER 2007-003

Material Noncompliance

26 United States Code, Section 3102(A) and 3402, require that Federal Income Tax and Medicare Tax, from employees hired after March 31, 1986, be withheld from employee's gross wages. **26 United States Code, Section 3403**, states that an employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

The Village withheld deductions for Federal Income and Medicare taxes from employees wages in 2006 and 2007 in the amount of \$1,243.06 and \$1,408.98 respectively; however, the amounts withheld were never submitted. We recommend the Village contact the IRS to resolve the lack of payments.

FINDING NUMBER 2007-004

Material Noncompliance

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

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.

FINDING NUMBER 2007-004
(Continued)

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. 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.

During 2006, 16 out of 25 (64%) and during 2007, 6 out of 25 (24%) expenditures were not properly encumbered or certified. Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41 (D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2007-005

Material Noncompliance

Ohio Rev. Code, Section 149.351, provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Revised Code, Sections 149.38 to 149.42. We noted the following conditions:

- Original minutes for January 2006 and December 2007 Council meetings and complete budgetary records for both years under audit could not be located.
- The Village did not retain the 2006 W-2's for employees or warrant records (for the missing IRS payment) in accordance with the aforementioned provisions.
- Four expenditures totaling \$3,498 made during the audit period did not have proper supporting documents or invoices attached. We were able to perform alternative procedures to determine these expenditures were for a proper public purpose.

To help improve accountability over expenditures, we recommend the Village ensure that invoices are attached to vouchers as supporting documentation. Invoices should be matched to items received or services completed to verify goods or services were received before payment is issued.

FINDING NUMBER 2007-006

Material Noncompliance

Ohio Rev. Code, Section 135.21, provides for the allocation of interest among funds. Interest earned on monies deposited by a treasurer which do not belong in the treasury of the subdivision, due to their status as custodial funds, because the treasurer is acting as ex officio treasurer, or otherwise, generally must be apportioned to the funds to which the principal belongs (including undivided tax funds).

All interest earned must be credited to the general funds of the subdivision, with the following exceptions:

- Interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.
- Interest earned on money received from the federal government may be due to the fund to which the principal belongs.

The Village credited all interest receipts to the General fund. Since the Village receives motor vehicle license monies, interest earned from those receipts should be allocated and credited to the Street fund. An audit adjustment to move interest receipts in the amount of \$365 for 2007 and \$320 for 2006 was posted to the annual financial report to properly reflect interest receipts. We recommend that the fiscal officer review the Village Handbook and the Ohio Revised Code to help determine proper postings on revenue.

FINDING NUMBER 2007-007

Material Noncompliance

State ex rel. McClure v. Hagerman (1951) 155 Ohio St. 320 provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005, Expenditure of Public Funds/Proper “Public Purpose,” states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

The following conditions were noted:

During 2007, expenditures in the amount of \$112 were made to the Ohio Department of Job and Family Services for non-filing of quarterly unemployment compensation reports. The expenditures were for the payment of fines and penalties assessed to the Village for non-filing of the reports. We recommend that the Village file all reports on a timely basis. By properly filing reports when due will help the Village avoid future payments of fines and penalties.

The Village made expenditures in the amount of \$206 during the audit period from the Fire fund for the purchase of flowers. The Fire fund is a special revenue fund and has a specific purpose for which the funds can be spent. The Village was unable to document the receipt of monies from Village employees and officials into the fund to make the purchases. Failure to review funding restrictions of the revenue being used to make the purchases for flowers could result in an unallowable use of restricted funds. We recommend that the Village review the revenue source for the flower purchases to ensure those funds can be used for that purpose. For purchases from unrestricted revenue sources, the Village should document how the donation of public funds to purchase flowers is a proper public purpose prior to the purchase.

The Village expended \$729 for interest and penalty payments to OPERS and the Internal Revenue Service. Expenditure of Village funds for interest and penalties would not serve as a proper public purpose and therefore not be considered allowable under the aforementioned guidelines. We recommend the Village pay OPERS payments on a timely basis to avoid incurring penalties and interest.

FINDING NUMBER 2007-008

Material Noncompliance

Ohio Rev. Code, Section 5705.36 (A)(1), states that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget along with any unencumbered balances existing at the end of the preceding year. The Village did not file the 2006 and 2007 reports with the County Auditor until January 25, 2008. We recommend the Village file the reports with the County Auditor by the required deadlines.

FINDING NUMBER 2007-009

Material Noncompliance

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. During 2007 and 2006, the Sewer Fund had expenditures of \$2,500 which exceeded appropriations of \$0 by \$2,500. During 2007, the Street Fund had expenditures of \$20,027 which exceeded appropriations of \$15,891 by \$4,136

The management of the Village should monitor the budgetary receipts and expenditures by having the clerk provide budgetary reports at least quarterly to be reviewed and approved by the Village Council. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the Village.

FINDING NUMBER 2007-010

Material Noncompliance

Ohio Rev. Code, Section 5705.39, provides, in part, that appropriations shall not exceed the amount of estimated revenue available for expenditure as certified by the budget commission on the official certificate of estimated resources. During 2007, no certificate of estimated resources was filed with the County Auditor; therefore appropriations exceeded the estimated resources in the General Fund, Street Fund and Fire Fund. The following table reflects the variances.

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$0	\$ 46,741	(\$ 46,741)
Street, Maintenance Repair Fund	0	20,027	(20,027)
Fire Fund	0	313,000	(313,000)

The management of the Village should monitor the budgetary receipts and expenditures. The fiscal officer should provide budgetary documents at least quarterly to be reviewed and approved by the Village Council. By regularly reviewing the budgetary documents throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the Village.

FINDING NUMBER 2007-011

Material Noncompliance

Ohio Rev. Code, Section 5705.10 (H), requires that money paid into any fund shall be used only for the purpose for which such fund is established. At December 31, 2006, the General Fund had a negative fund balance of \$4,547. At the end of December 31, 2007, the General Fund had a negative fund balance of \$10,870. This deficit balance indicates that cash from other funds was used to pay the obligations of the General Fund. We recommend the Village adopt procedures to properly monitor fund balances. The Village officials should not certify available funds or pay amounts that create deficits.

FINDING NUMBER 2007-012

Material Noncompliance and Material Weakness

Ohio Admin. Code, Section 117-2-01(A), provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. Subsection (D) states that when designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.

The small size of the Village does not allow for an adequate segregation of duties. The fiscal officer processes all the financial record keeping including receipting, posting, and reconciling to the depository. Bookkeeping errors occurred without the detection of management. It is, therefore, important that Council monitor financial activity.

Council was not always aware of their appropriate administrative responsibilities such as reviewing monthly financial records, reviewing minutes and reviewing bills, as a result, the following weaknesses were noted:

- Monthly financial reports such as budget and actual and bank reconciliations were not presented to Council;
- Invoices contained no indication (e.g., initials) that someone had performed a comparison between the items included on the invoices and the items received;
- Invoices were not always attached to the voucher packet;
- The minutes did not include all significant actions taken by Council;
- Expenditures were posted to improper funds;
- Withholdings were not paid to the appropriate agencies;
- Late payment fees were paid on bills.

**FINDING NUMBER 2007-012
(Continued)**

The lack of timely financial reports and accurate fund balances significantly reduces Council's ability to monitor Village's financial position. In addition, the lack of control over invoices and goods/services received resulted in late payments or not payments to the various vendors and/or agencies. This may create an environment which promotes future fraud or inaccurate financial reporting.

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

- Monthly budget and actual financial reports be prepared and submitted to Council. This submission should occur prior to the regular Council meetings so that Council members have an opportunity to review the information and ask informed questions at the Council meetings. Discussion of the monthly financial reports should be documented in the minutes;
- When invoices are received, a comparison should be made between the goods/services included on the invoice and the goods/services received. The official/department head which received the goods should perform this comparison and indicate his/her review by initializing the invoice. The initials indicate the goods/services were received and the invoice is approved for payment. Invoices should be attached to all voucher packets;
- Once invoices have been approved for payment, the fiscal officer should issue the corresponding check and stamp the invoice "Paid." The invoice should be filed with the voucher packet; and
- Record voided checks as such and not reassign check number to another expenditure;
- Council should ensure that bills be paid on a timely basis to avoid late charges;
- Minutes of Council meetings should be prepared, approved, and available for public inspection in a timely manner. The minutes should also include all actions taken by Council during those meetings. For each regular meeting, the Fiscal Officers should provide Council members with detailed budget and actual financial statements, cash balances, checks paid, outstanding encumbrances, receipts and bank reconciliations. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer;
- Officials should periodically review the records to determine accuracy and to assure themselves that proper procedures are followed by the fiscal officer.

Officials' Response:

All of the above issues are being addressed and the appropriate action will be taken.

**VILLAGE OF PORT WILLIAM
CLINTON 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; <i>Explain</i>
2005-001	ORC 5705.09 and 5705.10 requires special funds to be established.	No	Reissued as Finding 2007-001
2005-002	ORC 733.28 requires the Village to maintain accurate records.	No	Reissued as Finding 2007-001.
2005-003	ORC 5705.41(D) requires availability of funds to be certified.	No	Reissued as Finding 2007-004
2005-004	ORC 5705.41(B), expenditures exceeded appropriations.	No	Reissued as Finding 2007-009
2005-005	ORC 5705.10, the Village had a negative fund balance at the end of 2004.	No	Reissued as Finding 2007-011
2005-006	ORC 5705.39 appropriations exceeded estimated resources.	No	Reissued as Finding 2007-010
2005-007	Internal Control System was not adequately maintained.	No	Reissued as Finding 2007-012



Mary Taylor, CPA
Auditor of State

VILLAGE OF PORT WILLIAM

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 11, 2008**