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104 South Sugar St.  
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**VILLAGE OF PORTAGE  
WOOD COUNTY  
Regular Audit  
For the Years Ended December 31, 2015 and 2014**

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- Association of Certified Anti - Money Laundering Specialists •





# Dave Yost • Auditor of State

Village Council  
Village of Portage  
110 W. Walnut St  
Portage, OH 43451

We have reviewed the *Independent Auditor's Report* of the Village of Portage, Wood County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

October 31, 2016

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VILLAGE OF PORTAGE  
WOOD COUNTY

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## INDEPENDENT AUDITOR'S REPORT

August 19, 2016

Village of Portage  
Wood County  
110 West Walnut St.  
Portage, Ohio 43451

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of Portage**, Wood County, (the Village) as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.



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***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Portage, Wood County, as of December 31 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**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, 2015**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 12,544	\$ 5,060	\$ 17,604
Municipal Income Tax	97,987	-	97,987
Intergovernmental	7,912	81,409	89,321
Special Assessments	-	7,864	7,864
Charges for Services	732	-	732
Fines, Licenses and Permits	4,501	-	4,501
Earnings on Investments	56	17	73
Miscellaneous	50	1,050	1,100
<i>Total Cash Receipts</i>	<u>123,782</u>	<u>95,400</u>	<u>219,182</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	-	6,893	6,893
Public Health Services	292	-	292
Leisure Time Activities	228	-	228
Community Environment	595	-	595
Transportation	-	13,470	13,470
General Government	45,875	93	45,968
Debt Service:			
Principal Retirement	598	552	1,150
<i>Total Cash Disbursements</i>	<u>47,588</u>	<u>21,008</u>	<u>68,596</u>
<i>Excess of Receipts Over Disbursements</i>	<u>76,194</u>	<u>74,392</u>	<u>150,586</u>
<i>Fund Cash Balances, January 1</i>	<u>56,371</u>	<u>158,140</u>	<u>214,511</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	232,532	232,532
Assigned	264	-	264
Unassigned	132,301	-	132,301
<i>Fund Cash Balances, December 31</i>	<u>\$ 132,565</u>	<u>\$ 232,532</u>	<u>\$ 365,097</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 FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 307,040
<i>Total Operating Cash Receipts</i>	307,040
<b>Operating Cash Disbursements</b>	
Personal Services	2,500
Employee Fringe Benefits	455
Contractual Services	156,777
Supplies and Materials	4,173
<i>Total Operating Cash Disbursements</i>	163,905
<i>Operating Income</i>	143,135
<b>Non-Operating Receipts (Disbursements)</b>	
Principal Retirement	(14,600)
Interest and Other Fiscal Charges	(24,446)
<i>Total Non-Operating Receipts (Disbursements)</i>	(39,046)
<i>Net Change in Fund Cash Balances</i>	104,089
<i>Fund Cash Balances, January 1</i>	381,493
<i>Fund Cash Balances, December 31</i>	\$ 485,582

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, 2014**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 11,841	\$ 4,572	\$ 16,413
Municipal Income Tax	85,096	-	85,096
Intergovernmental	5,344	66,132	71,476
Special Assessments	-	8,246	8,246
Charges for Services	520	-	520
Fines, Licenses and Permits	5,144	-	5,144
Earnings on Investments	39	11	50
Miscellaneous	263	1,449	1,712
<i>Total Cash Receipts</i>	<u>108,247</u>	<u>80,410</u>	<u>188,657</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	-	5,870	5,870
Public Health Services	288	-	288
Leisure Time Activities	186	950	1,136
Community Environment	583	-	583
Transportation	-	19,114	19,114
General Government	34,229	100	34,329
Capital Outlay	69,054	-	69,054
<i>Total Cash Disbursements</i>	<u>104,340</u>	<u>26,034</u>	<u>130,374</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,907</u>	<u>54,376</u>	<u>58,283</u>
<b>Other Financing Receipts</b>			
Other Debt Proceeds	69,054	-	69,054
Other Financing Uses	(36)	-	(36)
<i>Total Other Financing Receipts</i>	<u>69,018</u>	<u>-</u>	<u>69,018</u>
<i>Net Change in Fund Cash Balances</i>	72,925	54,376	127,301
<i>Fund Cash Balances, January 1</i>	<u>(16,554)</u>	<u>103,764</u>	<u>87,210</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	158,140	158,140
Assigned	5,282	-	5,282
Unassigned	51,089	-	51,089
<i>Fund Cash Balances, December 31</i>	<u>\$ 56,371</u>	<u>\$ 158,140</u>	<u>\$ 214,511</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, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 245,987	\$ -	\$ 245,987
Miscellaneous	44	-	44
<i>Total Operating Cash Receipts</i>	<u>246,031</u>	<u>-</u>	<u>246,031</u>
<b>Operating Cash Disbursements</b>			
Personal Services	2,463	-	2,463
Employee Fringe Benefits	348	-	348
Contractual Services	120,711	-	120,711
Supplies and Materials	8,823	-	8,823
<i>Total Operating Cash Disbursements</i>	<u>132,345</u>	<u>-</u>	<u>132,345</u>
<i>Operating Income</i>	<u>113,686</u>	<u>-</u>	<u>113,686</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Principal Retirement	(13,900)	-	(13,900)
Interest and Other Fiscal Charges	(25,226)	-	(25,226)
Other Non-Operating Cash Disbursements	-	(121)	(121)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(39,126)</u>	<u>(121)</u>	<u>(39,247)</u>
<i>Net Change in Fund Cash Balances</i>	74,560	(121)	74,439
<i>Fund Cash Balances, January 1</i>	<u>306,933</u>	<u>121</u>	<u>307,054</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 381,493</u>	<u>\$ -</u>	<u>\$ 381,493</u>

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

**VILLAGE OF PORTAGE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Portage, Wood County, (the Village), as a body corporate and politic. A publicly elected six-member Council directs the Village. The Village provides sewer utilities 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 belongs to the Ohio Plan Risk Management, Inc. (OPRM) 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 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds are recorded at share values the mutual funds report.

**VILLAGE OF PORTAGE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village has 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.

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

**3. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

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

**4. Fiduciary Funds (Agency 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 activity, which is now inactive.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

VILLAGE OF PORTAGE  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

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.

**VILLAGE OF PORTAGE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**F. Fund Balance (Continued)**

**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.

**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. The carrying amount of deposits at December 31 was as follows:

	<b>2015</b>	<b>2014</b>
Demand deposits	\$ 850,679	\$ 596,004
Total deposits	\$ 850,679	\$ 596,004

**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 ended December 31, 2015 and 2014 follows:

**VILLAGE OF PORTAGE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 122,024	\$ 123,782	\$ 1,758
Special Revenue	50,214	95,400	45,186
Enterprise	195,700	307,040	111,340
Total	\$ 367,938	\$ 526,222	\$ 158,284

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 66,079	\$ 47,852	\$ 18,227
Special Revenue	38,384	21,151	17,233
Enterprise	217,874	202,993	14,881
Total	\$ 322,337	\$ 271,996	\$ 50,341

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 197,285	\$ 177,301	\$ (19,984)
Special Revenue	44,144	80,410	36,266
Enterprise	205,838	246,031	40,193
Total	\$ 447,267	\$ 503,742	\$ 56,475

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 142,232	\$ 109,658	\$ 32,574
Special Revenue	33,486	26,203	7,283
Enterprise	193,015	171,513	21,502
Total	\$ 368,733	\$ 307,374	\$ 61,359

Contrary to Ohio law, the Village did not properly encumber all commitments.

**4. PROPERTY TAXES**

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 make semiannual payment, 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.

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  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(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.

The income tax is collected by the Regional Income Tax Agency (RITA) and is remitted to the Village. Income tax receipts are credited to the Village's General fund.

**6. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Rural Economic and Community Development Loans	\$ 421,000	5.50%-5.625%
OPWC Loan - Dixie Highway (SR 25) Catch Basins	67,904	0.00%
Total	\$ 488,904	

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, 2013, 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 Village received a loan from Ohio Public Works Commission (OPWC) for \$69,054 in December of 2014. The loan was to pay for catch basin improvements on the Dixie Highway within Village. The Village will repay the loan in semiannual installments of \$1,151, including interest, over 30 years. Debt payments are paid out of the General and Permissive Tax Funds.

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

Year Ended	RECD Loan	OPWC Loan
2016	\$ 39,026	\$ 2,302
2017	39,062	2,302
2018	39,047	2,302
2019	39,082	2,302
2020	39,061	2,302
2021-2025	195,451	11,509
2026-2030	195,321	11,509
2031-2035	78,117	11,509
2036-2040	-	11,509
2041-2045	-	10,358
Total	\$ 664,167	\$ 67,904

**VILLAGE OF PORTAGE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

**7. RETIREMENT SYSTEMS**

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 include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10.0% of their gross salaries, and the Village contributed an amount equaling 14.0% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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.

OPRM coverage programs 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. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% 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 772 and 783 members as of December 31, 2015 and 2014 respectively.

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.

**VILLAGE OF PORTAGE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://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.

**10. FISCAL MANAGEMENT**

As of December 31, 2015, the Village's General Fund has a positive balance of \$132,565.

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 2013.
- Steadily increased revenue and decreased disbursements in both 2014 and 2015.

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. As of April 8, 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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Marietta, OH 45750  
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Vienna, WV 26105  
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740.695.1569

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

August 19, 2016

Village of Portage  
Wood County  
110 West Walnut St.  
Portage, Ohio 43451

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the **Village of Portage**, Wood County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated August 19, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.



**...“bringing more to the table”**

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Members: American Institute of Certified Public Accountants

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• Association of Certified Anti - Money Laundering Specialists •



### **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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* as finding 2015-002.

### **Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

VILLAGE OF PORTAGE  
WOOD COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

**Material Weakness**

**Posting Receipts, Disbursements and Fund Balances**

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements. The Fiscal Officer did not always accurately post receipts, disbursements, and fund balances to the Village's accounting system.

During 2015 and 2014, several receipts, disbursements and fund balances were not posted accurately. The following posting errors were noted.

- Debt Proceeds and the corresponding capital outlay for an Ohio Public Works Commission road project were improperly posted to the General Fund instead of a capital projects fund in 2014.
- General Fund outstanding encumbrances were incorrectly classified as Unassigned instead of Assigned in 2014 and 2015.

Not posting revenues, disbursements, and fund balances accurately resulted in the financial statements requiring several reclassifications. The accompanying financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

We recommend the Fiscal Officer refer to the Ohio Village Handbook and other Auditor of State resources for guidance to determine the proper establishment of receipt accounts. We also recommend the Fiscal Officer refer to Auditor of State Technical Bulletin 2011-004 for assistance in classifying fund balances.

**Management's Response** – We did not receive a response from management to the finding above.

FINDING NUMBER 2015-002

**Material Weakness/Noncompliance**

**Ohio Revised Code Section 5705.41(D)(1)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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.

**VILLAGE OF PORTAGE  
WOOD COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-002 (Continued)**

**Noncompliance (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 taxing authority (Village Council) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority 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 – The Fiscal Officer 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 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.

We noted 30% of the disbursements tested in 2015 and 90% of disbursements tested in 2014 were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but 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 the 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.

**Management's Response** – We did not receive a response from management to the finding above.

**VILLAGE OF PORTAGE  
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2013-001	Council Approval of Appropriations	Yes	N/A
2013-002	ORC Section 5705.41(D)	No	Not Corrected; Repeated as Finding 2015-002
2013-003	Fiscal Officer Training	Yes	N/A
2013-004	Public Records Training	Yes	N/A





# 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  
NOVEMBER 10, 2016**