



**VILLAGE OF PORT WILLIAM  
CLINTON COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



**JIM PETRO  
AUDITOR OF STATE**

STATE OF OHIO



VILLAGE OF PORT WILLIAM  
CLINTON COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Port William  
Clinton County  
234 North 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, 2000 and 1999. 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.

Except as described in the following paragraph, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements present disbursements by fund type only, rather than by disbursement program or object. Ohio Administrative Code Section 117-2-02(A) requires governments to classify disbursement transactions.

The Village did not provide sufficient documentation supporting Charges for Services for fire contracts and fire billings in the Fire Fund as recorded in the Special Revenue Fund Type. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts in the Fire Fund, or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. Fire fund unclassified receipts represent 100% of the receipts recorded as Charges for Services in the Special Revenue Fund Type.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the omission of disbursement classifications by program or object, and except for the adjustments, if any, that would be necessary had we been able to examine the Charges for Services activity in the Fire Fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and unclassified disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

February 14, 2002

**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, 2000**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$8,816	\$0	\$8,816
Intergovernmental Receipts	18,562	30,133	48,695
Earnings on Investments	2,525	0	2,525
Charges for Services	4,200	34,086	38,286
Fines, Licenses, and Permits	50	0	50
Miscellaneous	2,275	2,167	4,442
	<u>36,428</u>	<u>66,386</u>	<u>102,814</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Unclassified Disbursements	<u>33,703</u>	<u>83,509</u>	<u>117,212</u>
	<u>33,703</u>	<u>83,509</u>	<u>117,212</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over/(Under) Disbursements	<u>2,725</u>	<u>(17,123)</u>	<u>(14,398)</u>
Fund Cash Balances January 1	<u>20,728</u>	<u>96,403</u>	<u>117,131</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$23,453</u></u></b>	<b><u><u>\$79,280</u></u></b>	<b><u><u>\$102,733</u></u></b>

*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, 2000

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Disbursements:</b>	
Unclassified Disbursements	<u>7,678</u>
Total Operating Cash Disbursements	<u>7,678</u>
<b>Non-Operating Cash Receipts:</b>	
Proceeds of Loan	<u>10,000</u>
Total Non-Operating Cash Receipts	<u>10,000</u>
Net Receipts Over/(Under) Disbursements	2,322
Fund Cash Balances, January 1	<u>2,634</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$4,956</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, 1999**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$9,090	\$0	\$9,090
Intergovernmental Receipts	14,825	9,249	24,074
Earnings on Investments	2,038	0	2,038
Charges for Services	4,550	54,772	59,322
Fines Licenses and Permits	190	0	190
	<u>30,693</u>	<u>64,021</u>	<u>94,714</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Unclassified Disbursements	34,798	31,688	66,486
	<u>34,798</u>	<u>31,688</u>	<u>66,486</u>
<b>Total Cash Disbursements</b>			
	<u>34,798</u>	<u>31,688</u>	<u>66,486</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(4,105)</u>	<u>32,333</u>	<u>28,228</u>
<b>Fund Cash Balances January 1</b>	<u>24,833</u>	<u>64,070</u>	<u>88,903</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$20,728</b></u>	<u><b>\$96,403</b></u>	<u><b>\$117,131</b></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  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Total Operating Cash Receipts	<u>0</u>
<b>Operating Cash Disbursements:</b>	
Total Operating Cash Disbursements	<u>0</u>
Operating Income/(Loss)	<u>0</u>
Fund Cash Balances, January 1	<u>2,634</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$2,634</u></u></b>

*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, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Port William, Clinton County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including street maintenance and police and fire protection.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, except for the classification of disbursements, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. The Village does not use the encumbrance method of accounting, therefore budgetary presentations reflect actual disbursements made during the year rather than disbursements plus encumbrances

The Village prepared unclassified financial statements for disbursements for the years ended December 31, 2000 and 1999. This presentation is a material departure from the presentation prescribed by the Auditor of State in Ohio Administrative Code Section 117-02-02 (effective 7/1/00) and Ohio Administrative Code Section 117-5-11 (effective until 6/30/00). These sections of the Ohio Administrative Code require disbursements to be classified by program or object. Additionally, the Village clerk did not keep records as required by Ohio Rev. Code Section 733.28.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Deposits**

Village funds are pooled in a checking account and a certificate of deposit with a local commercial bank. Interest earned is recognized and recorded when received. The Village did not post all interest to all funds as required by the Ohio Rev. Code and Ohio Constitution.

**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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF PORT WILLIAM  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

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

**2. Special Revenue Funds**

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

Street Maintenance - 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.

**3. Enterprise Funds**

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

Refuse Fund - This fund had not activity during the audit period, but maintains a balance. This balance is from prior years' Village's trash collections.

Sewer Fund - This Fund receives the loan proceeds for the possible future wastewater treatment system.

**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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting; however, no material encumbrances existed at December 31, 2000 and 1999.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**VILLAGE OF PORT WILLIAM  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

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

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. EQUITY IN POOLED CASH**

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ <u>107,689</u>	\$ <u>119,765</u>

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 21,986	\$ 36,428	\$ 14,442
Special Revenue	48,500	66,386	17,886
Enterprise	0	10,000	10,000
Total	\$ 70,486	\$ 112,814	\$ 42,328

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 50,943	\$ 33,703	\$ 17,240
Special Revenue	150,080	83,509	66,571
Enterprise	2,635	7,678	(5,043)
Total	\$ 203,658	\$ 124,890	\$ 78,768

**VILLAGE OF PORT WILLIAM  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 26,739	\$ 30,693	\$ 3,954
Special Revenue	53,500	64,021	10,521
Enterprise	0	0	0
Total	\$ 80,239	\$ 94,714	\$ 14,475

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 51,572	\$ 34,798	\$ 16,774
Special Revenue	117,570	31,688	85,882
Enterprise	0	0	0
Total	\$ 169,142	\$ 66,486	\$ 102,656

The Village did not obtain prior certification of the availability of funds from the fiscal officer for all commitments. The Village did not properly adopt the tax budget, authorize the necessary tax levies, or properly approve and file appropriations. The Village's disbursements exceeded appropriations during 2000 in the Street and Sewer Funds.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements 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.

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, 2000 AND 1999  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 10,000	0%

The Village received a loan from the Ohio Water Development Authority (OWDA) to be used to assist the costs of completing the general plan and preparation of a Rural Development application for a new wastewater treatment system. The eligible project costs for planning is \$25,000. During 2000, the Village only drew \$10,000 of the eligible amount.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OWDA Loan
2002	\$ 2,500
2003	2,500
2004	2,500
2005	2,500
Total	\$ 10,000

**6. RETIREMENT SYSTEMS**

Full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 10.84% of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability

**VILLAGE OF PORT WILLIAM  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**8. MATERIAL NON-COMPLIANCE**

The Village prepared unclassified financial statements for disbursements for the years ended December 31, 2000 and 1999. This presentation is a material departure from the presentation prescribed by the Auditor of State in Ohio Administrative Code Section 117-02-02 and 117-2-03 (effective 7/1/00) and Ohio Administrative Code Section 117-5-11 (effective until 6/30/00). These sections of the Ohio Administrative Code require disbursements to be classified by program or object.

The Village did not maintain the books of the Village as required by the Ohio Admin. Code and the Ohio Rev. Code.

The Village did not provide documentation for the Fire Fund receipts and not all documentation was provided for expenditures as required per the Ohio Rev. Code.

The Village did not pay PERS timely.

The Village did not withhold state income tax from their employees.

The Village submitted federal withholdings late.

**9. RELATED PARTY TRANSACTIONS**

During 1999 and 2000, the Village purchased supplies totaling \$2,397 from M&J Trustworthy Hardware, which is owned and operated by the current and former Village Clerks. During 1999, the Village purchased a used computer and file cabinets from Ellis Accounting for \$525, which is owned and operated by the former Village Clerk.





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OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Port William  
Clinton County  
234 North 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, 2000 and 1999, and have issued our report thereon dated February 14, 2002, which was qualified since the Village did not classify disbursements in the manner prescribed by the Auditor of State or provide sufficient documentation for Charges for Services receipts in the Fire Fund. Except as regards Charges for Services in the Fire Fund, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2000-30414-001 through 2000-30414-011. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated February 14, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-30414-001 through 2000-30414-003 and 2000-30414-012 through 2000-30414-017.

Village of Port William  
Clinton County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2000-30414-001 through 2000-30414-003 and 2000-30414-013 through 2000-30414-017. to be a material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated February 14, 2002.

This report is intended for the information and use of the management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

February 14, 2002

**VILLAGE OF PORT WILLIAM  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2000-30414-001**

**Noncompliance Citation/Material Weakness**

The Village Clerk did not maintain books of the Village, as required. Accounting records of the Village, as maintained by the Clerk, were incomplete, contained numerous posting errors, were not reconciled to one another or to the bank, lacked classifications of receipts and expenditures, and lacked month-to-date and year-to-date totals. As a result, those records which were maintained by the Clerk were not an accurate reflection of all monies received and expended.

Ohio Rev. Code Section 733.28 states that the Village Clerk shall keep the books of the Village, exhibit accurate statements of all monies received and expended, of all property owned by the Village and income derived therefrom, and all taxes and assessments.

Ohio Rev. Code Section 117.43, authorizes the Auditor of State to prescribe by rule a uniform system of accounting and financial reporting for public offices other than state agencies. Prior to 7/1/00, The Auditor of State had prescribed a uniform system of accounting for villages which was set forth in Ohio Administrative Code Chapter 117-5. After 7/1/00, Ohio Admin. Code Section 117-2-02 and 117-2-03 sets forth the accounting and reporting records that all local public offices should maintain. All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. The Village did not comply in the following instances:

- A. 117-5-09, Ohio Admin. Code, formerly required each village to maintain a cash journal including the fund balances for each fund, the pay-in number for each receipt, the warrant and purchase order number for each expenditure, the fund account code number, and monthly and year-to-date totals for receipts and disbursements. This Code also required that entries in the cash side agree with entries in the funds side of the cash journal and that entries be posted in chronological order.

The cash journal for 1999 did not contain account code numbers, purchase order numbers, or monthly and year-to-date totals. The cash journal consisted of unbound ledger sheets which did not contain a cash side. Entries to cash journal were not made in chronological order, nor were individual fund balances totaled for each month of the audit period. Numerous posting errors were made to the cash journal. The Village converted to the UAN computer system in June of 2000. The village posted their entire 2000 activity on the UAN cash journal at this time. Since the Village did not reconcile during 1999, the beginning balances for 2000 were posted incorrectly, resulting in incorrect fund balances throughout 2000. Without maintaining a cash journal as required, the Clerk and Council members could not know accurate fund balances available for operating purposes, and the records needed for informed decision making are not available. A cash journal should be maintained as required by the Ohio Admin. Code.

- B. Ohio Admin. Code Section 117-5-09 (D), formerly required monthly reconciliations of the cash balance to the book balance. Contrary to this provision, the Village's cash balance and book balances were not reconciled during the audit period.

**FINDING NUMBER 2000-30414-001**  
**(Continued)**

- C. Ohio Admin. Code Section 117-5-07 and 117-05-04 formerly prescribed the proper revenue account codes to be used. The Village did not utilize the proper revenue account codes to identify the various sources of receipts for individual funds.
- D. 117-5-10, Ohio Admin. Code, formerly required each village to maintain a receipts ledger. There was no receipts ledger maintained for 1999, through May, 2000. June through December, 2000 receipts ledger was inaccurate. Failure to maintain a receipts ledger resulted in receipts being reconstructed by Auditor of State for presentation in the accompanying financial statements. Without the detailed information of the sources of Village funds, Council members cannot make informed decisions regarding Village finances. A receipts ledger should be maintained as required by the Ohio Admin. Code.

This section also formerly required that a village post to each receipts account the estimated amount of money to be received into the account as specified by the County Budget Commission. The Village did not post estimated receipts to the receipt ledger.

- E. Ohio Admin. Code Section 117-5-08 and 117-5-05 formerly prescribed the proper appropriation account codes to be used by public offices. The Village did not utilize the proper appropriation account codes to identify the various types of items and services purchased by individual funds.
- F. Ohio Admin. Code Section 117-5-11 formerly required a village to maintain an appropriation ledger in a complete and accurate form as prescribed. The appropriation ledger shall contain separate appropriation accounts. A separate sheet shall be used in the ledger for each account. The name of the fund and account, and the code prescribed for that account, shall be entered on the ledger sheet. Disbursements should be recorded on the ledger and a balance of unencumbered funds should be maintained. The Village did not maintain an appropriation ledger for 1999 through May, 2000. June through December 2000 appropriation ledger was inaccurate. Failure to maintain an appropriations ledger resulted in unclassified disbursements being presented in the accompanying financial statements

This section also required that each village shall post to an appropriation account an amount equal to the amount appropriated in the annual appropriation resolution(s), that each expenditure or encumbrance charged against an appropriation account be posted and subtracted from the appropriated balance producing a declining unencumbered balance, and that appropriate columns be totaled and reconciled monthly and yearly. Without the detailed information of the types of Village expenditures, Council members cannot make informed decisions regarding Village finances. An appropriation ledger should be maintained as required by the Ohio Admin. Code.

- G. Ohio Admin. Code Section 117-5-18 also required that the Village prepare and file an annual financial report each fiscal year with the Auditor of State on form AUD-4000 (Cash Basis Annual Financial Report). The Village prepared and filed their annual financial reports, however, they contained numerous errors and they did not give an accurate presentation of the Village's financial activity.
- H. Ohio Admin. Code Section 117-2-14 required that a duplicate receipt be issued each time money is received. The Village Clerk did not issue duplicate receipts for any transactions during 1999 through May, 2000.

**FINDING NUMBER 2000-30414-001**  
**(Continued)**

Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Village funds, 2) reduces the Councils' ability to monitor financial activity; 3) increases the likelihood that monies will be misappropriated and not detected, and 4) increases the likelihood that the Village's financial statements will be misstated. Additional cost was incurred by the Village for the Auditor of State to reconstruct the Village's records. To determine the accuracy of Village ledgers and to ensure the Village is in compliance with the Ohio Administrative Code, periodic reviews should be performed by Village officials. Documents reviewed should be initialed by the reviewer indicating approval. Failure to properly monitor Village activity could result in overspending funds, negative fund balances, and unauthorized expenditures.

We recommend the Clerk accurately maintain the Village's accounting records in accordance with the uniform accounting system recommended by the Auditor of State in Ohio Administrative Code Chapter 117-5. In addition, all supporting documentation of receipts, expenditures, and bank reconciliations should be maintained. Village Council should require that the Clerk provide monthly statements of Village fund activity detailing receipts, disbursements, fund balances, and comparisons to budget so that Council can make informed decisions relating to Village finances. For added accountability, we recommend Council review all bank reconciliations for accuracy and ensure that all reconciling items are justified.

These citations were also applicable in the prior audit period.

**FINDING NUMBER 2000-30414-002**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 149.351 states that all records of the public office concerned should not be removed, destroyed or otherwise disposed of except as provided by law or under the rules adopted by the records commission. Charges for Services in the Fire Fund represent receipts for fire contracts and fire billings. Documentation was not provided for audit over these receipts, therefore, we were unable to test the receipts in the Fire Fund. Additionally, supporting documentation was not provided for 28% of the expenditures during 1999 and 21% of the expenditures during 2000.

**FINDING NUMBER 2000-30414-003**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 5705.41 (D), 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.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

**FINDING NUMBER 2000-30414-003**  
**(Continued)**

- B. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

The Village failed to get the fiscal officer's certification before making commitments. Purchase orders were prepared at the same time the warrant was written; thus, 100 percent of the expenditures and obligations tested were initiated without obtaining the prior certification of the Clerk and neither of the two exceptions provided for were used.

Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. This procedure is not only required by Ohio law, but it is also a key control in the disbursement process. Without proper certification of funds, disbursements could be made without adequate current resources being available or disbursements could be made in excess of authorized appropriations. We recommend that prior certifications be provided for all disbursements. In instances when prior certifications are not practical, "then and now" certifications should be made.

**FINDING NUMBER 2000-30414-004**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.28 states that on or before July 15, in each year, the taxing authority of each subdivision or other taxing unit is required to adopt a tax budget for the next succeeding fiscal year. The Village did not provide a copy of the tax budget for the audit, but the tax budget was found to be on file with the County Auditor. Minute records did not document the adoption of the tax budget for 1999 or 2000.

In addition, Ohio Rev. Code Section 5705.30 requires the Village to hold at least one public hearing on the budget. Public notice shall be given in at least one publication not less than ten days prior to the hearing date. Village records did not substantiate that public hearing were held or notice of the budget hearings published in a newspaper.

**FINDING NUMBER 2000-30414-005**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36 requires that on or about the first day of each fiscal year, the fiscal officers of subdivisions are to certify to the county auditor the "Certificate of the Total Amount From All Sources Available for Expenditures and Balances" from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. The Certificate for 2000 was not filed by the Village until June 6, 2000.

This citation was made in the prior audit.

**FINDING NUMBER 2000-30414-006**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. During 2000, disbursements exceeded appropriations in the Street Fund by \$12,431 and in the Sewer Fund by \$7,678.

	<u>Appropriations</u>	<u>Disbursements</u>	<u>Variance</u>
Street Fund	\$30,580	\$43,011	\$12,431
Sewer Fund	\$ 0	\$ 7,678	\$ 7,678

**FINDING NUMBER 2000-30414-007**

**Noncompliance Citation**

Pursuant to White v. Clinton Cty. Bd. of Commrs., 76 Ohio St.3d 416 (1996), Ohio Rev. Code Sections 121.22, 149.43 and 733.27, when read together impose a duty on the Village to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection per State, ex rel. The Fairfield Leader v. Ricketts, 56 Ohio St.3d 97 (1990). The Village did not sufficiently and consistently document decisions concerning monthly financial reports and budgetary information, the approval of debt, the itemization of each bill and amount, approved salary of officials and employees, and dollar amounts of appropriations. In as much as Council speaks through its minutes, all actions of the Village Council should be documented in the Village minute records with as much detail as possible, and with proper and accurate reference to supporting documentation. Without proper authorization, illegal transactions or payments could occur without the knowledge of the Village officials. Also, these records will provide management with the needed future references for informed decision making, and be available for the public inspection of legislative decisions of Village Council.

**FINDING NUMBER 2000-30414-008**

**Noncompliance Citation**

Ohio Rev. Code Section 135.21 requires all interest earned on all investments must be placed in the General Fund except as provided by law. Article XII, Section 5a, Ohio Constitution and 1982 Op. Att’y Gen. No 82-031, provide that interest earned on money derived from a motor vehicle license or fuel tax must be paid into the fund to which the principal belongs.. Contrary to these sections, the Village did not distribute interest to the Street Fund as required and posted all interest to the General Fund. It was not practicable to determine this interest distribution, thus adjustments have not been made to the financial statements. This citation was made in the prior audit.

**FINDING NUMBER 2000-30414-009**

**Noncompliance Citation**

Ohio Revised Code Section 145.03 requires compulsory membership in the Public Employee’s Retirement System (PERS) for each employee if no exemption form is filed with PERS within thirty days from the first day of employment. Further, Ohio Rev. Code, Section 145.47, requires employers to withhold contributions for employees and Ohio Rev. Code Section 147.483, requires each employer who fails to withhold retirement deductions and who does not have a written exemption on file must pay both the employee and employer’s contribution for the period that deductions are omitted. The County Auditor received a letter from PERS, dated March 20, 2000, certifying that the Village of Port William owed PERS \$1,073.29 for unreported employee contributions and unpaid employer balances for delinquent payments from October, 1999 through January, 2000. The Village paid PERS for the delinquent payment in March, 2000. This matter is being referred to the Public Employee’s Retirement System.

**FINDING NUMBER 2000-30414-010**

**Noncompliance Citation**

Ohio Rev. Code, Section 5757.06(A), requires every employer to deduct and withhold from employee's compensation a state income tax. There were no IT-4 Forms on file and taxes were not being withheld from compensation of employees. The Village should contact the State Income Tax Division, Department of Taxation, to determine necessary action to correct this situation. This matter is being referred to the State Income Tax Division, Department of Taxation.

**FINDING NUMBER 2000-30414-011**

**Noncompliance Citation**

Ohio Rev. Code, Section 733.27 requires newly elected clerks to attend the new clerk's training offered by the Auditor of State, and any other annual training offered by the Auditor of State. Continuing Clerks are required to attend the annual update sessions. During 1999, the continuing clerk failed to attend any training and during 2000, the new Village Clerk failed to provide any evidence to document that he attended the required training.

**FINDING NUMBER 2000-30414-012**

**Reportable Condition**

The Village submitted information for federal withholdings late resulting in penalties from the Internal Revenue Service. This resulted in the Village paying the Internal Revenue Service \$360 in 1999 and \$420 in 2000 for penalties. The Village Clerk-Treasurer should closely monitor filing deadlines so that late penalties will be avoided by the Village.

**FINDING NUMBER 2000-30414-013**

**Material Weakness**

The Village had very few, if any, internal controls, record keeping was inaccurate and inconsistent, and there appeared to be no policies, procedures, and accounting controls instituted by the Village Council or management to review monthly financial records, minutes and monthly bills. This may create an environment which promotes possible fraud or misappropriation of funds.

The following weaknesses were noted:

- Monthly financial reports 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.
- Entries to the cash journal were not in chronological order.
- Payments at times were made from vendor statements, not itemized invoices.
- Copies of invoices were not always attached to voucher package as there were no vouchers.
- The Village's checks were only signed by the Clerk-Treasurer.



**FINDING NUMBER 2000-30414-013**  
**(Continued)**

- Many of the Village bills were paid late, resulting in late fees of \$397 during 1999, and \$535 during 2000.
- The Village's books were not being reconciled monthly with the bank statement.

The lack of timely financial reports and accurate fund balances significantly reduces Council's ability to monitor the Village's financial position. In addition, the lack of control over invoices and goods/services received resulted in unauthorized payments, and late payments.

To 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 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.
- Entries should be made to cash book, receipt ledger, and appropriation ledgers as they occur to insure that all entries are made in a timely period.
- A list of bills to be approved for payment should be included in the minutes and within the monthly financial information submitted to Council.
- 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.
- All payments should be made from itemized vendor invoices, not monthly statements, so that officials can verify items received and if bills are for a proper public purpose and these invoices should be attached to all vouchers and reviewed by Council members.
- The clerk should prepare an accurate and reliable monthly reconciliation so that all financial transactions are reflected and errors and irregularities may be detected in a timely manner. These reconciliations should be included within the financial information that is submitted to Council each month.
- Once invoices have been approved for payment, the Clerk/Treasurer should issue the corresponding check and stamp the invoice "Paid." The invoice should be filed with the voucher packet; and,
- Village checks should be signed by the Clerk/Treasurer and one Council member. Prior to signing the checks, the Council member should agree the vendor name and amount on the check to the invoice.
- Vouchers packets should be maintained in numerical sequence.
- 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.

**FINDING NUMBER 2000-30414-013**  
**(Continued)**

Lack of policies, procedures, and accounting controls resulted in material noncompliance citations. The Ohio Administrative Code outlines procedures which require that a cash journal, receipt ledger, and appropriations ledger be used and maintained, that bank reconciliations be performed on a regular basis, and outlines procedures for maintaining other Village records. This failure by Village personnel to properly record receipts and disbursements resulted in Village disbursements being presented in summary format in this report. Management should have controls in place to make certain its accounting records are properly maintained and their financial reporting is accurate.

**FINDING NUMBER 2000-30414-014**

**Material Weakness**

Although Rick Ellis did not become the Village Clerk until April, 2000, he began signing the Village checks in February 2000. Since he was not officially the Village Clerk during February and March, 2000, he did not have any authority to sign Village checks. Council should review Village checks to ensure they are being signed by the official clerk.

**FINDING NUMBER 2000-30414-015**

**Material Weakness**

The Village Clerk did not maintain a payroll ledger. A payroll ledger should be maintained by the Clerk detailing each employee, their pay rate, hours worked, gross pay, deductions and net pay by pay period. Amounts reported on the employees' W-2's did not always match the total gross income earned each year. By maintaining a detailed payroll ledger, the Village Clerk could complete quarterly payroll reports and W-2's accurately.

**FINDING NUMBER 2000-30414-016**

**Material Weakness**

During the audit period, the Clerk-Treasurer had numerous posting errors to the Village's cash journal. The Auditor of State reconciled the Village's cash book to the bank for 1999 and 2000, which resulted in numerous adjustments to reconcile the Village's books. These adjustments are reflected in the accompanying financial statements.

The Village had posted but did not deposit amounts described as Local Government, Local Government Revenue Assistance, and Real Estate to their cash journal's General Fund totaling \$5,363.69. These amounts could not be located on the County Auditor's vendor report to support that the Village received these amounts. The Village had posted but did not deposit amounts described as Gas Tax receipts to their cash journal's Street Fund totaling \$1,124.36. These amounts could not be located on the State Distribution Transaction List to support that the Village received these amounts. The Village had posted but did not deposit amounts described as fire billing and contract receipts to their cash journal's Fire Fund totaling \$5,983. No documentation was provided to support these receipts. The Village should only post receipts to the cash journal for actual monies received.

**FINDING NUMBER 2000-30414-017**

**Material Weakness**

The Village received several checks from the State that were not deposited by the Clerk-Treasurer until such a late date that the bank considered them stale and void. For the General Fund, the amount of stale checks totaled \$750.96 and for the Street Fund, the amount of stale checks totaled \$1,635.61. The Village did not adjust their cash journal to reflect the reduction of balances. There were no posting entries to reflect that the Village later received these amounts. (Auditor of State reduced the Village's appropriate fund balances to properly present this adjustments.) During 1999, the County Auditor re-issued eleven checks to the Village totaling \$2,916.71. To avoid the loss of public funds and to properly account for Village activity, the Clerk should immediately deposit all public money when received.

When the Village converted to the UAN computer system during June, 2000, they posted activity from January 1, 2000 forward. The January 1, 2000 balances that were entered into the UAN system were incorrect. Therefore to reconcile the book to the bank, it was necessary to reduce the General Fund balance by \$2,648.07, to increase the Street Fund by \$400.88 and to increase the fire Fund by \$1,504.24.

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**VILLAGE OF PORT WILLIAM  
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2000 AND 1999**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <b><i>Explain</i></b> :
1998-30414-001	ORC Section 9.38 - The Village did not deposit funds each twenty-four hours	No	Change in ORC. No longer valid.
1998-30414-002	OAC Section 117-5-10 - the Village did not maintain a receipts ledger	No	Partially Corrected - Corrected during FY 2000 - Reissued as 2000-30414-001
1998-30414-003	OAC Section 117-5-11 - the Village did not maintain an appropriation ledger	No	Partially Corrected - Corrected during FY 2000 - Reissued as 2000-30414-001
1998-30414-004	OAC Section 117-5-09(D) - the Village did not reconcile depository to books	No	Not Corrected - Reissued as 2000-30414-001
1998-30414-005	Rev. Code 1905.01(E)/1907.20 - the Mayor did not maintain a cash book for Mayor's Court	No	No Mayor's Court during audit period. No longer valid.
1998-30414-006	Rev. Code 715.18/731.14 - the Mayor did not maintain a cash book for Mayor's Court	No	No Mayor's Court during audit period. No longer valid.
1998-30414-007	Rev. Code 715.18/731.14 - the Village did not follow competitive bidding procedures	No	Partially corrected. Reissued in management letter.
1998-30414-008	No segregation of duties existed and Council performed no monitoring of financial activity	No	Not Corrected - Reissued as 2000-30414-013
1998-30414-009	No controls existed over disbursement procedures	No	Not Corrected - Reissued as 2000-30414-013
1998-30414-010	The Clerk did not monitor budgetary variance	No	Not Corrected - Reissued as 2000-30414-001
1998-30414-011	The Village has not established an audit committee	No	Not Corrected - Reissued in management letter
1998-30414-012	Postings to cash book were not in chronological order	No	Not Corrected - Reissued as 2000-30414-001





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**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  
MARCH 19, 2002**