

***VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2008 & 2007

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Village Council
Village of Port Washington
107 East Main Street
P.O. Box 277
Port Washington, Ohio 43837

We have reviewed the *Report of Independent Accountants* of the Village of Port Washington, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2007 through December 31, 2008. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Port Washington is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 30, 2009

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**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY
For Years Ending December 31, 2008 and 2007**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Port Washington
Tuscarawas County
Village Hall
Port Washington, Ohio 43837

To the Village Council:

We have audited the accompanying financial statements of the Village of Port Washington, Tuscarawas County, Ohio as and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2008 and 2007. Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Port Washington, Tuscarawas County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2008 and 2007. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

June 16, 2009

VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Capital Projects	Total
Receipts:				
Property and Other Local Taxes	\$ 21,143	\$ 4,137	\$ -	\$ 25,280
Municipal Income Taxes	45,465	-	10,710	56,175
Intergovernmental	20,719	30,764	-	51,483
Fines, Licenses and Permits	9,355	300	-	9,655
Interest	449	74	-	523
Other	344	355	-	699
Total Receipts	97,475	35,630	10,710	143,815
Disbursements:				
Security of Persons and Property	25,319	-	-	25,319
General Government	55,127	-	-	55,127
Public Health Services	314	4,211	-	4,525
Transportation	-	42,614	-	42,614
Basic Utilities	7,068	-	-	7,068
Capital Outlay	-	-	1,340	1,340
Total Disbursements	87,828	46,825	1,340	135,993
Receipts over(under) disbursements	9,647	(11,195)	9,370	7,822
Fund Balance 1/1/2008	4,452	28,067	55,158	87,677
Fund Balance 12/31/2008	<u>\$ 14,099</u>	<u>\$ 16,872</u>	<u>\$ 64,528</u>	<u>\$ 95,499</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Capital Projects	Total
Receipts:				
Property and Other Local Taxes	\$ 20,392	\$ 4,318	\$ -	\$ 24,710
Municipal Income Taxes	50,101	-	11,961	62,062
Intergovernmental	18,474	30,073	-	48,547
Fines, Licenses and Permits	7,528	-	-	7,528
Interest	2,206	800	-	3,006
Other	5,887	-	-	5,887
Total Receipts	104,588	35,191	11,961	151,740
Disbursements:				
Security of Persons and Property	35,424	-	-	35,424
General Government	71,303	-	-	71,303
Public Health Services	-	4,411	-	4,411
Transportation	-	40,215	-	40,215
Basic Utilities	6,301	-	-	6,301
Capital Outlay	-	-	28,426	28,426
Total Disbursements	113,028	44,626	28,426	186,080
Receipts over(under) disbursements	(8,440)	(9,435)	(16,465)	(34,340)
Other Financing Sources/(Uses):				
Sale of Fixed Assets	4,000	-	-	4,000
Total Other Financing Sources/(Uses)	4,000	-	-	4,000
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	(4,440)	(9,435)	(16,465)	(30,340)
Fund Balance 1/1/2007	8,892	37,502	71,623	118,017
Fund Balance 12/31/2007	<u>\$ 4,452</u>	<u>\$ 28,067</u>	<u>\$ 55,158</u>	<u>\$ 87,677</u>

See accompanying Notes to the Financial Statements.

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Port Washington, (the Village) is a body corporate and politic established for the purpose of exercising 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 park operations, cemetery maintenance and police services. The Village contracts with the Delaware Valley Fire District to provide fire protection services and Tri-County Ambulance District to provide emergency medical services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis 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. 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 prescribed or permitted by the Auditor of State.

C. CASH

The Village maintains cash deposits in a checking account.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

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

Capital Project: This fund is used to account for resources to be used for the acquisition or construction of capital assets. The Village has the following significant Capital Project Fund:

Construction Fund – This fund receives proceeds from income tax revenue to finance various road construction projects in the Village.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue.

Budget receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2008 and 2007. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is at the fund, function and object level in each fund.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. PROPERTY, PLANT AND EQUIPMENT

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2007</u>	<u>2008</u>	
Demand deposits	<u>\$ 87,677</u>	<u>\$ 95,499</u>	

Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village.

3. PROPERTY TAXES

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as Intergovernmental Receipts.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

3. PROPERTY TAXES – (Continued)

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

The Tuscarawas County Treasurer collects property tax on behalf of all taxing entities within the county. The Tuscarawas County Auditor periodically remits to the taxing entities their portions of the taxes collected.

4. BUDGETARY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

<u>2008 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 93,100	\$ 97,475	\$ 4,375
Special Revenue Funds	32,800	35,630	2,830
Capital Projects Fund	10,000	10,710	710

<u>2008 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$111,405	\$ 87,828	\$ 23,577
Special Revenue Funds	54,265	46,825	7,440
Capital Projects Fund	-0-	1,340	(1,340)

<u>2007 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 98,400	\$108,588	\$ 10,188
Special Revenue Funds	35,195	35,191	(4)
Capital Projects Fund	10,000	11,961	1,961

<u>2007 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$109,534	\$113,028	\$ (3,494)
Special Revenue Funds	56,539	44,626	11,913
Capital Projects Fund	-0-	28,426	(28,426)

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

4. BUDGETARY – (Continued)

Contrary to Ohio law, expenditures for 2008 and 2007 were not always certified by the Fiscal Officer prior to incurring the obligation. In addition, appropriations exceeded estimated resources in the General Fund for 2008 & 2007, the SCMR Fund in 2008 and the Permissive Tax Fund in 2008 & 2007. Also expenditures exceeded appropriations contrary to Ohio law in the General Fund during 2007, in the Capital Projects Construction Fund during 2008 and 2007, the Special Revenue Funds Belden Park Fund during 2008, and the Cemetery Fund during 2008 and 2007.

5. LOCAL INCOME TAX

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

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

6. RETIREMENT SYSTEM

Substantially all Village officials and employees belong to the Ohio Public Employee Retirement System (OPERS). OPERS 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.

The Ohio Revised Code provides statutory authority for employee and employer contributions. OPERS participants contributed 9.5% of their wages in 2007 and 10% of their wages in 2008. The Village contributed an amount equal to 13.85% of their wages in 2007 and 14% in 2008. The Village has paid all contributions required through December 31, 2008.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

7. RISK MANAGEMENT – (Continued)

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years.

8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Port Washington
Tuscarawas County
Village Hall
Port Washington, Ohio 43837

To the Village Council:

We have audited the financial statements of the Village of Port Washington, Tuscarawas County (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 16, 2009, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings, items 2008-VPWTC-001 and 006 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

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

Compliance and Other Matters

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, grant agreements and other matters, 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 several instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as item numbers 2008-VPWTC-002 through 005.

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

We also noted certain matters that we have reported to management of the Village in a separate letter dated June 16, 2009.

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

Charles E. Harris and Associates, Inc.

June 16, 2009

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-VPWTC-001, Material Weakness

Receipts and Appropriation Ledgers

The following weaknesses were noted in the Village’s recording of receipts and disbursements and budgetary information:

- Certified estimated receipts were not posted to the Village’s receipts ledgers and appropriations were not posted to the Village’s appropriations ledger.
- Receipts and disbursements recorded in the cash journal were not always carried forward to the receipt and appropriation ledger.
- Budget to Actual statements were not prepared and reviewed by Council.

This lack of proper recording, could lead to inaccurate reporting of revenues and disbursements. In addition, the comparison of budget to actual activity is crucial to management’s ability to monitor the progress of expected revenue collections, and availability of monies to spend.

The Fiscal Officer has agreed to implement the above recommendations.

FINDING NUMBER 2008-VPWTC-002, Material Noncompliance and Material Weakness

Ohio Revised Code Section 5705.41 (D), requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state 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.

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

VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-VPWTC-002

(Continued)

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

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

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

During 2008 and 2007, the Fiscal Officer did not certify any expenditure prior to incurring the obligation. It was also found that neither of the two exceptions noted above were utilized for the items to be found in noncompliance.

We recommend the Village’s management implement procedures to gain fiscal control over expenditures. Purchase orders containing the required certification should be utilized to certify the availability of funds prior to commitments being incurred. Appropriations should then be encumbered and balances maintained of unencumbered appropriations. Additional purchase orders should be issued only after the fiscal officer determines that sufficient unencumbered appropriations exist in the amount of the requested purchase.

The Fiscal Officer will review budgetary requirements, including purchasing.

FINDING NUMBER 2008-VPWTC-003, Material Noncompliance

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor’s certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2008 AND 2007**

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

**FINDING NUMBER 2008-VPWTC-003
(Continued)**

During the year-ended December 31, 2008, total appropriations exceeded total estimated resources at year-end as follows:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$ 98,352	\$ 111,405	\$ (13,053)
Special Revenue Funds:			
SCMR	34,300	37,165	(2,865)
Permissive Tax Fund	8,645	10,000	(1,355)

During the year-ended December 31, 2007, total appropriations exceeded total estimated resources at year-end as follows:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$ 107,292	\$ 109,354	\$ (2,062)
Special Revenue Fund:			
Permissive Tax Fund	8,945	10,000	(1,045)

Village Council should monitor appropriations versus estimated resources to help avoid overspending.

The Fiscal Officer will monitor estimated resources to avoid appropriating more than is legally available.

FINDING NUMBER 2008-VPWTC-004, Material Noncompliance

Ohio Rev. Code Section 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

The Village's legal level of control is the at the fund level. We noted the following funds had expenditures that exceeded appropriations at the fund level at December 31, 2008:

Fund	Approved Appropriations	Expenditures	Variance
Special Revenue Funds:			
Belden Park Fund	\$ -0-	\$ 445	\$ (445)
Cemetery Fund	4,000	4,211	(211)
Capital Project Fund:			
Construction Fund	-0-	1,340	(1,340)

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2008 AND 2007**

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

**FINDING NUMBER 2008-VPWTC-004
(Continued)**

We noted the following funds had expenditures that exceeded appropriations at the fund level at December 31, 2007:

Fund	Approved Appropriations	Expenditures	Variance
General Fund	\$109,534	\$ 113,028	\$ (3,494)
Special Revenue Fund:			
Cemetery Fund	4,000	4,411	(411)
Capital Project Funds:			
Construction Fund	-0-	28,426	(28,426)

We recommend Village Council and the Fiscal Officer compare expenditures to appropriations periodically. If additional appropriations are needed, then Council and the Clerk should take the necessary steps to adopt supplemental appropriations, if possible to prevent expenditures from exceeding appropriations.

The Fiscal Officer will monthly prepare budget versus actual expenditures for Council review.

FINDING NUMBER 2008-VPWTC-005, Material Noncompliance

Ohio Constitution, Article XII, Section 5a states that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. The Fiscal Officer made investment of pooled cash from various funds, including the Street Construction Maintenance and Repair, and the State Highway Improvement Fund, and did not distribute the interest earned in accordance with the above requirements. The Village should have allocated the following amounts:

<u>Funds Entitled to Interest</u>	<u>2008</u>	<u>2007</u>	<u>Total</u>
Street Construction Maintenance and Repair Fund	\$ 14	\$ 421	\$ 435
State Highway Improvement Fund	<u>60</u>	<u>379</u>	<u>439</u>
Total	<u>\$ 74</u>	<u>\$ 800</u>	<u>\$ 874</u>

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2008-VPWTC-005, Material Noncompliance
(Continued)**

The financial statements have been adjusted to reflect the proper allocation of interest income. We recommend that Fiscal Officer allocate future interest earned to the Street Construction Maintenance and Repair Fund and the State Highway Improvement Fund. The Village has agreed with our adjustment and has adjusted its financial records accordingly.

The Fiscal Officer will develop a methodology for allocating interest earned to the proper funds.

**FINDING NUMBER 2008-VPWTC-006
MATERIAL WEAKNESS**

Incorrect Accounting Transactions

During the audit of the Village's financial records for the years ended December 31, 2008 and 2007 we noted a number of transactions incorrectly recorded, a number of receipts and disbursements incorrectly reported in the annual financial reports. The financial statements have been adjusted to present the accounting information correctly and the Village has agreed with the required reclassifications and adjustments. Below is a listing of the various erroneous accounting transactions:

- During 2007 the Village recorded the sale of a fixed asset as miscellaneous revenue;
- During 2008 the Village recorded Intergovernmental Receipts as Property and Other Local Taxes;
- During 2008, the Village incorrectly recorded the proceeds of real estate taxes.

We recommend that consideration be given to analyzing the nature of transactions occurring during the normal course of business to ensure that they are posted to the proper accounts. We recommend further that all entries be reviewed and approved by Village Council, monthly.

Management will review all transactions in the future for the proper account classification.

**VILLAGE OF PORT WASHINGTON
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-VPWTC-001	Village was incomplete in recording receipts and disbursements and budgetary information.	No	Repeated as finding # 2008-VPWTC-001
2006-VPWTC-002	Village did not certify the availability of funds prior to incurring the obligation for expenditures.	No	Repeated as finding # 2008-VPWTC-002
2006-VPWTC-003	Village appropriations exceeded estimated resources.	No	Repeated as finding # 2008-VPWTC-003
2006-VPWTC-004	Village had disbursements in excess of appropriations.	No	Repeated as finding # 2008-VPWTC-004
2006-VPWTC-005	Village had negative cash in the General fund.	Yes	Corrected
2006-VPWTC-006	Village did not allocate interest income to the SCMR and State Highway Funds as required by the ORC.	No	Repeated as finding # 2008-VPWTC-005



Mary Taylor, CPA
Auditor of State

VILLAGE OF PORT WASHINGTON

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 14, 2009