

**VILLAGE OF PORTAGE
WOOD COUNTY
Regular Audit
For the Years Ended December 31, 2013 and 2012**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Village Council
Village of Portage
110 West Walnut Street
Portage, Ohio 43451

We have reviewed the *Independent Auditor's Report* of the Village of Portage, Wood County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 28, 2015

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VILLAGE OF PORTAGE
WOOD COUNTY

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INDEPENDENT AUDITOR'S REPORT

November 26, 2014

Village of Portage
Wood County
110 West Walnut Street
Portage, Ohio 43451

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Village of Portage**, Wood County (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows, thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Portage, Wood County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Emphasis of Matter

As disclosed in Note 10, on April 8, 2009, the Auditor of State declared the Village of Portage to be in a state of fiscal emergency, in accordance with Section 11.03 of the Ohio Revised Code. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$ 11,441	\$ 4,545	\$ 15,986
Municipal Income Tax	85,771	-	85,771
Intergovernmental	5,330	61,945	67,275
Special Assessments	-	8,032	8,032
Charges for Services	160	-	160
Fines, Licenses, and Permits	3,666	-	3,666
Earnings on Investments	27	8	35
Miscellaneous	359	2,489	2,848
	<u>106,754</u>	<u>77,019</u>	<u>183,773</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	-	6,535	6,535
Public Health Services	292	-	292
Leisure Time Activities	146	891	1,037
Community Environment	611	-	611
Transportation	-	16,129	16,129
General Government	46,222	93	46,315
Debt Service:			
Principal Retirement	1,419	-	1,419
Interest and Fiscal Charges	15	-	15
	<u>48,705</u>	<u>23,648</u>	<u>72,353</u>
<i>Net Change in Fund Cash Balances</i>	58,049	53,371	111,420
<i>Fund Cash Balances, January 1</i>	<u>(74,603)</u>	<u>50,393</u>	<u>(24,210)</u>
Fund Cash Balances, December 31			
Restricted	-	103,764	103,764
Unassigned (Deficit)	<u>(16,554)</u>	<u>-</u>	<u>(16,554)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ (16,554)</u>	<u>\$ 103,764</u>	<u>\$ 87,210</u>

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 140,382	\$ -	\$ 140,382
Miscellaneous	50	-	50
Total Operating Cash Receipts	<u>140,432</u>	<u>-</u>	<u>140,432</u>
Operating Cash Disbursements:			
Personal Services	2,542	-	2,542
Employee Fringe Benefits	463	-	463
Contractual Services	89,048	-	89,048
Total Operating Cash Disbursements	<u>92,053</u>	<u>-</u>	<u>92,053</u>
Operating Income	<u>48,379</u>	<u>-</u>	<u>48,379</u>
Non-Operating Receipts (Disbursements):			
Principal Retirement	(13,100)	-	(13,100)
Interest and Other Fiscal Charges	(25,961)	-	(25,961)
Total Non-Operating Receipts(Disbursements)	<u>(39,061)</u>	<u>-</u>	<u>(39,061)</u>
Net Change in Fund Cash Balances	9,318	-	9,318
Fund Cash Balances, January 1	<u>297,615</u>	<u>121</u>	<u>297,736</u>
Fund Cash Balances, December 31	<u><u>\$ 306,933</u></u>	<u><u>\$ 121</u></u>	<u><u>\$ 307,054</u></u>

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$ 12,411	\$ 3,829	\$ 16,240
Municipal Income Tax	64,244	-	64,244
Intergovernmental	6,271	41,460	47,731
Special Assessments	-	8,318	8,318
Fines, Licenses, and Permits	5,371	-	5,371
Earnings on Investments	33	34	67
Miscellaneous	801	667	1,468
	<u>89,131</u>	<u>54,308</u>	<u>143,439</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	-	7,080	7,080
Public Health Services	298	-	298
Leisure Time Activities	152	-	152
Community Environment	548	-	548
Transportation	-	13,145	13,145
General Government	51,166	104	51,270
Debt Service:			
Principal Retirement	5,251	945	6,196
Interest and Fiscal Charges	483	14	497
	<u>57,898</u>	<u>21,288</u>	<u>79,186</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>31,233</u>	<u>33,020</u>	<u>64,253</u>
Other Financing Receipts:			
Transfer-In	8,058	10,322	18,380
Transfer-Out	(10,322)	(8,058)	(18,380)
	<u>(2,264)</u>	<u>2,264</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	<u>28,969</u>	<u>35,284</u>	<u>64,253</u>
<i>Fund Cash Balances, January 1</i>	<u>(103,572)</u>	<u>15,109</u>	<u>(88,463)</u>
Fund Cash Balances, December 31			
Restricted	-	49,471	49,471
Committed	-	922	922
Unassigned (Deficit)	(74,603)	-	(74,603)
	<u>(74,603)</u>	<u>50,393</u>	<u>(24,210)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ (74,603)</u>	<u>\$ 50,393</u>	<u>\$ (24,210)</u>

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 122,874	\$ -	\$ 122,874
Total Operating Cash Receipts	<u>122,874</u>	<u>-</u>	<u>122,874</u>
Operating Cash Disbursements:			
Personal Services	2,458	-	2,458
Employee Fringe Benefits	410	-	410
Contractual Services	82,044	-	82,044
Total Operating Cash Disbursements	<u>84,912</u>	<u>-</u>	<u>84,912</u>
Operating Income	<u>37,962</u>	<u>-</u>	<u>37,962</u>
Non-Operating Receipts/(Disbursements):			
Principal Retirement	(12,400)	-	(12,400)
Interest and Other Fiscal Charges	(26,657)	-	(26,657)
Total Non-Operating Receipts/(Disbursements)	<u>(39,057)</u>	<u>-</u>	<u>(39,057)</u>
Net Change in Fund Cash Balances	(1,095)	-	(1,095)
Fund Cash Balances, January 1	<u>298,710</u>	<u>121</u>	<u>298,831</u>
Fund Cash Balances, December 31	<u><u>\$ 297,615</u></u>	<u><u>\$ 121</u></u>	<u><u>\$ 297,736</u></u>

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Portage, Wood County, (the Village), as a body corporate and politic. A publicly elected six-member Council directs the Village. The Village provides sewer utilities and park operations.

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

Jointly Governed Organizations:

Central Joint Fire District provides fire services.

Mid-County Ambulance District provides ambulance services.

Public Entity Risk Pool:

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

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Village invests all available funds in a checking account.

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

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

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

3. Enterprise Funds

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

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

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court transactions.

E. Budgetary Process

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant and Equipment

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

2. EQUITY IN POOLED DEPOSITS

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

	<u>2013</u>	<u>2012</u>
Demand deposits	<u>\$ 394,264</u>	<u>\$ 273,526</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF PORTAGE
WOOD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 85,823	\$ 106,754	\$ 20,931
Special Revenue	37,275	77,019	39,744
Enterprise	120,750	140,432	19,682
Total	\$ 243,848	\$ 324,205	\$ 80,357

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 147,666	\$ 48,705	\$ 98,961
Special Revenue	35,048	23,648	11,400
Enterprise	134,599	131,114	3,485
Total	\$ 317,313	\$ 203,467	\$ 113,846

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 109,624	\$ 97,189	\$ (12,435)
Special Revenue	43,263	64,630	21,367
Enterprise	147,890	122,874	(25,016)
Total	\$ 300,777	\$ 284,693	\$ (16,084)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 68,220	\$ (68,220)
Special Revenue	-	29,346	(29,346)
Enterprise	-	123,969	(123,969)
Total	\$ -	\$ 221,535	\$ (221,535)

Contrary to Ohio law, at December 31, 2013 and 2012, the General Fund had a cash deficit balance of \$16,554 and \$74,603, respectively. Additionally, the Village did not adopt appropriations in 2012. As a result, expenditures exceeded appropriations in all funds during and at the year ended December 31, 2012. Additionally, the Village did not certify available resources.

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding 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 payments, the first half is due December 31. The second half payment is due the following June 20.

**VILLAGE OF PORTAGE
WOOD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

4. PROPERTY TAX (Continued)

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

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

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Rural Economic and Community Development Loans	<u>\$ 449,500</u>	5.50%-5.625%
Total	<u>\$ 449,500</u>	

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

The RECD loan agreement covenant requires the Village to establish and fund a sewer debt reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2013, is \$40,800. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The Village did hold a truck lease with the Ford Motor Company. The lease was paid from the Street Construction, Maintenance and Repair and the Permissive Funds in monthly installments of \$479.41, including interest, over five years and was paid off in 2012. The prior audit report incorrectly reported the balance outstanding as \$476. The correct outstanding balance as of 12/31/11 was \$944.

The Village did hold a lease with Advance Acceptance. The lease was paid in monthly installments of \$477.84, including interest, over 4 years and was paid off in 2013.

**VILLAGE OF PORTAGE
WOOD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

6. DEBT (Continued)

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

Year Endind December 31,	RECD Loan
2014	\$ 35,046
2015	35,049
2016	35,012
2017	35,036
2018	35,014
2019-2023	175,243
2024-2028	175,055
2029-2033	140,091
Total	<u>\$ 665,546</u>

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10%, of their gross salaries, and the Village contributed an amount equaling 14% of participants’ gross salaries. The Village had paid all contributions required through December 31, 2013.

8. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF PORTAGE
WOOD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

8. RISK MANAGEMENT (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013.

	<u>2012</u>	<u>2013</u>
Assets	\$ 13,100,381	\$ 13,774,304
Liabilities	<u>(6,687,183)</u>	<u>(7,968,395)</u>
Members' Equity	<u>\$ 6,413,198</u>	<u>\$ 5,805,909</u>

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

9. JOINTLY GOVERNED ORGANIZATIONS

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

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

10. FISCAL MANAGEMENT

As of December 31, 2013, the Village's General Fund had a negative balance of \$16,554.

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

- On January 1, 2009, the Village imposed a 1% income tax.
- The police department was eliminated as of December 31, 2009 and the Mayor's Court Clerk position was eliminated two months later.
- As of January 1, 2010 the position of sewer clerk was eliminated.
- The Village's part-time employee's hours were reduced.
- The Clerk/Treasurer and Sewer Clerk positions were eliminated and a Fiscal Officer position was created with the hiring of a new Fiscal Officer.
- There were no pay raises and Council has voted to give pay cuts to all Council Members and the Mayor with the start of each position's new term.
- Reduced Village Administrator's salary.
- Managed various Village services to reduce costs in 2013.

The Local Government Services Division of the Auditor of State's office was contacted by the Village regarding the financial difficulties, and began a fiscal analysis under the criteria established in ORC Chapter 118 in April 2009. As of April 8, 2009, the Village has been declared in fiscal emergency due to the significant deficit fund balance in the General fund, fulfilling Chapter 118 criteria.

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

November 26, 2014

Village of Portage
Wood County
110 West Walnut Street
Portage, Ohio 43451

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United State and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Village of Portage**, Wood County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated November 14, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. As disclosed in Note 10, in April 2009, the Village was declared by the Auditor of State to be in a state of fiscal emergency.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of audit findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2013-001 through 2013-004.

Purpose of this Report

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



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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Noncompliance/Material Weakness

Ohio Revised Code Section 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year-end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

Also, **Ohio Revised Code Section 5705.39** states, in part, that no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate official estimate.

The Village did not approve or file a 2012 annual appropriation resolution with the County Budget Commission. No temporary appropriation measure was passed by the Village Council.

Ohio Administrative Code 117-2-02(C)(1) states in part the legal level of control is the level (e.g. fund, program or function, department, object) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates. For all local public offices subject to the provisions of Chapter 5705 of the Revised Code, except school districts and public libraries, the minimum legal level of control is described in Section 5705.38 of the Revised Code. Ohio Revised Code 5705.38(C) requires the following minimum level of budgetary control for “subdivisions” other than schools: appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department and division, and, within each, the amount appropriated for personal services. The Village’s appropriations did not meet the minimum legal level of control for the year ended December 31, 2012.

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making expenditure unless it has been properly appropriated. All funds had expenditures which exceeded appropriations in 2012.

Failure to monitor budgetary activity can result in overspending and negative fund balances. We recommend the Village ensures its annual appropriation resolution is passed in a timely manner. We also recommend the Fiscal Officer deny any payments until the legislative authority has passed the necessary changes to the appropriation measure. There is some indication that management has started to monitor the Village’s budgetary receipts and expenditures, and we recommend that the Village continue to monitor receipts and expenditures. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which affect the overall cash position of the Village. The Village should refer to the Ohio Compliance Supplement and Village Officer’s Handbook for guidance on the legal budgetary process.

Management’s Response – We did not receive a response from officials to this finding.

**VILLAGE OF PORTAGE
WOOD COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-002

Noncompliance/Material Weakness

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

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

1. "Then and Now" certificate - If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.
2. Blanket Certificate – Fiscal Officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current 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. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

During 2013 and 2012, 36% and 29% of the disbursements tested, respectively, were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Village followed any of the aforementioned exceptions.

**VILLAGE OF PORTAGE
WOOD COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-002 (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2013-003

Noncompliance

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

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

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

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

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2013-004

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

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2013-004 (Continued)

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

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

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF PORTAGE
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	ORC sections 5705.34 certifying tax levies.	Yes	Corrected
2011-002	ORC sections 5705.41(D) Certifying expenditures	No	Repeated as Finding 2013-002
2011-003	ORC sections 135.22 and 733.27 Continuing Education and Training of the Fiscal Officer	No	Repeated as Finding 2013-003
2011-004	ORC sections 109.43 (B) and 149.43(E)(1) Public Records training and policy adoption.	No	Repeated as Finding 2013-004
2011-005	Signing Minutes	Yes	Corrected
2001-006	Mayor's Court Due Diligence	N/A	Finding No Longer Valid
2011-007	Payroll Pickup	Yes	Corrected

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Dave Yost • Auditor of State

VILLAGE OF PORTAGE

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2015**