



**Auditor of State
Betty Montgomery**

**VILLAGE OF PORTAGE
WOOD COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Portage
Wood County
110 W. Walnut Street, P.O. Box 252
Portage, Ohio 43451-0252

To the Village Council:

We have audited the accompanying financial statements of the Village of Portage, Wood County, (the Village) as of and for the years ended December 31, 2003 and 2002. 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 *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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

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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, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and 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 August 18, 2004 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.

This report is intended solely for the information and use of management, 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.



Betty Montgomery
Auditor of State

August 18, 2004

**VILLAGE OF PORTAGE
WOOD COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 15,445	\$ 4,662	\$ 20,107
Special Assessments	6,043		6,043
Intergovernmental Receipts	8,597	36,779	45,376
Fines, Licenses, and Permits	110,170	9,300	119,470
Earnings on Investments	1,284	307	1,591
Miscellaneous	2,982	179	3,161
Total Cash Receipts	<u>144,521</u>	<u>51,227</u>	<u>195,748</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	86,367		86,367
Public Health Services	300		300
Leisure Time Activities		535	535
Community Environment	1,330		1,330
Transportation		36,903	36,903
General Government	50,850	10,220	61,070
Capital Outlay	1,350	25,559	26,909
Total Cash Disbursements	<u>140,197</u>	<u>73,217</u>	<u>213,414</u>
Total Receipts Over/(Under) Disbursements	<u>4,324</u>	<u>(21,990)</u>	<u>(17,666)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		674	674
Transfers-Out	(674)		(674)
Total Other Financing Receipts/(Disbursements)	<u>(674)</u>	<u>674</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,650	(21,316)	(17,666)
Fund Cash Balances, January 1	<u>9,445</u>	<u>68,644</u>	<u>78,089</u>
Fund Cash Balances, December 31	<u>\$ 13,095</u>	<u>\$ 47,328</u>	<u>\$ 60,423</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF PORTAGE
WOOD COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	<u> </u>
Operating Cash Receipts:			
Charges for Services	\$ 112,651		\$ 112,651
Total Operating Cash Receipts	<u>112,651</u>		<u>112,651</u>
Operating Cash Disbursements:			
Personal Services	12,150		12,150
Fringe Benefits	2,033		2,033
Contractual Services	57,855		57,855
Supplies and Materials	5,895		5,895
Capital Outlay	2,200		2,200
Total Operating Cash Disbursements	<u>80,133</u>		<u>80,133</u>
Operating Income	<u>32,518</u>		<u>32,518</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		\$ 133,181	133,181
Total Non-Operating Cash Receipts		<u>133,181</u>	<u>133,181</u>
Non-Operating Cash Disbursements:			
Debt Service	39,083		39,083
Other Non-Operating Cash Disbursements		137,467	137,467
Total Non-Operating Cash Disbursements	<u>39,083</u>	<u>137,467</u>	<u>176,550</u>
Net Disbursements Over Receipts	(6,565)	(4,286)	(10,851)
Fund Cash Balances, January 1	<u>104,187</u>	<u>15,816</u>	<u>120,003</u>
Fund Cash Balances, December 31	<u>\$ 97,622</u>	<u>\$ 11,530</u>	<u>\$ 109,152</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF PORTAGE
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 16,194	\$ 5,510	\$ 21,704
Special Assessments	5,392		5,392
Intergovernmental Receipts	8,619	26,011	34,630
Fines, Licenses, and Permits	101,180	7,320	108,500
Earnings on Investments	2,438	1,009	3,447
Miscellaneous	2,847	3,301	6,148
Total Cash Receipts	<u>136,670</u>	<u>43,151</u>	<u>179,821</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	84,371		84,371
Public Health Services	300		300
Leisure Time Activities		762	762
Community Environment	873		873
Transportation		39,481	39,481
General Government	47,329		47,329
Capital Outlay		5,000	5,000
Total Cash Disbursements	<u>132,873</u>	<u>45,243</u>	<u>178,116</u>
Total Receipts Over/(Under) Disbursements	3,797	(2,092)	1,705
Fund Cash Balances, January 1	<u>5,648</u>	<u>70,736</u>	<u>76,384</u>
Fund Cash Balances, December 31	<u><u>\$ 9,445</u></u>	<u><u>\$ 68,644</u></u>	<u><u>\$ 78,089</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF PORTAGE
WOOD COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	<u> </u>
Operating Cash Receipts:			
Charges for Services	\$ 112,156		\$ 112,156
Total Operating Cash Receipts	<u>112,156</u>		<u>112,156</u>
Operating Cash Disbursements:			
Personal Services	12,150		12,150
Fringe Benefits	1,713		1,713
Contractual Services	51,606		51,606
Supplies and Materials	6,456		6,456
Capital Outlay	1,046		1,046
Total Operating Cash Disbursements	<u>72,971</u>		<u>72,971</u>
Operating Income	<u>39,185</u>		<u>39,185</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		\$ 131,844	131,844
Total Non-Operating Cash Receipts		<u>131,844</u>	<u>131,844</u>
Non-Operating Cash Disbursements:			
Debt Service	39,087		39,087
Other Non-Operating Cash Disbursements		120,395	120,395
Total Non-Operating Cash Disbursements	<u>39,087</u>	<u>120,395</u>	<u>159,482</u>
Net Receipts Over Disbursements	98	11,449	11,547
Fund Cash Balances, January 1	<u>104,089</u>	<u>4,367</u>	<u>108,456</u>
Fund Cash Balances, December 31	<u>\$ 104,187</u>	<u>\$ 15,816</u>	<u>\$ 120,003</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF PORTAGE
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Portage, Wood County, (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 sewer utilities, park operations, and police services.

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, 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. 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 and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and repurchase agreements are valued at cost.

D. Fund Accounting

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

**VILLAGE OF PORTAGE
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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.

2. Special Revenue Fund

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

3. Enterprise Funds

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

Sewer Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Debt Reserve Fund – This fund is required by the RECD debt agreement. The balance is reserved for the payment of the RECD debt if the Sewer Operating Fund is unable to meet the debt obligation. The balance would then have to be replaced.

4. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

**VILLAGE OF PORTAGE
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Mayor's Court Agency Fund – This fund accounts for all Mayor's Court receipt and disbursement activity.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

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.

**VILLAGE OF PORTAGE
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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:

	2003	2002
Demand deposits	\$ 4,061	\$ 9,126
Certificates of deposit	8,198	7,852
Total deposits	12,259	16,978
Repurchase agreement	157,316	181,114
Total deposits and investments	\$ 169,575	\$ 198,092

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 138,543	\$ 144,521	\$ 5,978
Special Revenue	44,000	51,901	7,901
Enterprise	101,000	112,651	11,651
Total	\$ 283,543	\$ 309,073	\$ 25,530

**VILLAGE OF PORTAGE
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 147,695	\$ 140,871	\$ 6,824
Special Revenue	98,772	73,217	25,555
Enterprise	124,265	119,216	5,049
Total	\$ 370,732	\$ 333,304	\$ 37,428

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 137,666	\$ 136,670	\$ (996)
Special Revenue	48,132	43,151	(4,981)
Enterprise	170,517	112,156	(58,361)
Total	\$ 356,315	\$ 291,977	\$ (64,338)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 140,690	\$ 132,873	\$ 7,817
Special Revenue	79,475	45,243	34,232
Enterprise	113,719	112,058	1,661
Total	\$ 333,884	\$ 290,174	\$ 43,710

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 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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Rural Economic and Community Development Loans	<u>\$ 553,400</u>	5.5 to 5.625%

The Rural Economic and Community Development (RECD) loan relates to a water and 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 the next 29 years.

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

Year ending December 31:	OWDA Loan
2004	\$ 39,156
2005	39,102
2006	39,125
2007	39,020
2008	39,092
2009 - 2013	195,304
2014 - 2018	195,307
2019 - 2023	195,508
2024 - 2028	195,237
2029 - 2032	156,287
Total	<u>\$ 1,133,138</u>

The RECD loan agreements required the Village to establish a sewer debt reserve fund. The Village has established this fund and maintains a \$40,000 balance.

**VILLAGE OF PORTAGE
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

6. RETIREMENT SYSTEMS

The Village's employees, including law enforcement officers, belong to the Ohio Public Employees 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (Members).

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages, modified for each Member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures with A-VII or better rated carriers, except for a 5 percent portion the Plan retains. With policies effective September 1, 2003 and after, the Plan pays the lesser of 5 percent or \$25,000 for casualty losses up to the coverage limit and the lesser of 5 percent or \$50,000 for property losses up to the coverage limit. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

**VILLAGE OF PORTAGE
WOOD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

	<u>2003</u>	<u>2002</u>
Assets	\$ 5,402,167	\$ 5,584,592
Liabilities	<u>(1,871,123)</u>	<u>(2,441,793)</u>
Members' Equity	<u>\$ 3,531,044</u>	<u>\$ 3,142,799</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.



**Auditor of State
Betty Montgomery**

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

Village of Portage
Wood County
110 W. Walnut Street, P.O. Box 252
Portage, Ohio 43451-0252

To the Village Council:

We have audited the accompanying financial statements of the Village of Portage, Wood County, (the Village) as of and for the years ended December 31, 2003 and 2002, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 18, 2004 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to the Village's management in a separate letter dated August 18, 2004.

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



Betty Montgomery
Auditor of State

August 18, 2004

**VILLAGE OF PORTAGE
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30187-001	Reportable condition over Mayor's Court	Yes	



**Auditor of State
Betty Montgomery**

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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
SEPTEMBER 14, 2004**