



**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

VILLAGE OF LIBERTY CENTER
HENRY COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Liberty Center
Henry County
110 East Street
Liberty Center, Ohio 43532-9320

To the Village Council:

We have audited the accompanying financial statements of the Village of Liberty Center, Henry County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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 and reserves for encumbrances of the Village as of December 31, 2000 and 1999, 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 February 27, 2001 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 audits.

Village of Liberty Center
Henry County
Report of Independent Accountants
Page 2

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.

Jim Petro
Auditor of State

February 27, 2001

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$170,850			\$170,850
Intergovernmental Receipts	46,074	\$48,832		94,906
Charges for Services	5,160			5,160
Fines, Licenses, and Permits	10			10
Earnings on Investments	30,899	2,114		33,013
Miscellaneous	10,528			10,528
	<u>263,521</u>	<u>50,946</u>		<u>314,467</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	42,354	5,989		48,343
Public Health Services	11,375			11,375
Leisure Time Activities	18,246			18,246
Community Environment	751			751
Basic Utility Services	14,334			14,334
Transportation	9,894	43,796		53,690
General Government	82,525			82,525
Capital Outlay	1,591		\$15,114	16,705
	<u>181,070</u>	<u>49,785</u>	<u>15,114</u>	<u>245,969</u>
Total Cash Disbursements				
	<u>181,070</u>	<u>49,785</u>	<u>15,114</u>	<u>245,969</u>
Total Receipts Over/(Under) Disbursements	<u>82,451</u>	<u>1,161</u>	<u>(15,114)</u>	<u>68,498</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		2,264	32,516	34,780
Transfers-Out	(38,776)	(4,018)		(42,794)
	<u>(38,776)</u>	<u>(4,018)</u>		<u>(42,794)</u>
Total Other Financing Receipts/(Disbursements)	<u>(38,776)</u>	<u>(1,754)</u>	<u>32,516</u>	<u>(8,014)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	43,675	(593)	17,402	60,484
Fund Cash Balances, January 1	76,702	18,640	84,539	179,881
Fund Cash Balances, December 31	<u><u>\$120,377</u></u>	<u><u>\$18,047</u></u>	<u><u>\$101,941</u></u>	<u><u>\$240,365</u></u>
Reserves for Encumbrances, December 31	<u>\$3,709</u>	<u>\$595</u>		<u>\$4,304</u>

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

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$394,757
Interest	2,954
	397,711
Operating Cash Disbursements:	
Personal Services	108,020
Fringe Benefits	27,453
Contractual Services	25,962
Supplies and Materials	60,723
Capital Outlay	9,532
Miscellaneous	86,074
	317,764
Total Operating Cash Disbursements	317,764
Operating Income	79,947
Non-Operating Cash Receipts:	
Special Assessments	213
Non-Operating Cash Disbursements:	
Debt Service	31,150
Excess of Receipts Over Disbursements Before Interfund Transfers	49,010
Transfers-In	49,475
Transfers-Out	(41,461)
Net Receipts Over Disbursements	57,024
Fund Cash Balances, January 1	500,062
Fund Cash Balances, December 31	\$557,086
Reserve for Encumbrances, December 31	\$2,356

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

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$150,367			\$150,367
Intergovernmental Receipts	55,224	\$70,374	\$259,000	384,598
Charges for Services	6,890			6,890
Fines, Licenses, and Permits	1,205			1,205
Earnings on Investments	25,973	1,720		27,693
Miscellaneous	13,426	91		13,517
	<u>253,085</u>	<u>72,185</u>	<u>259,000</u>	<u>584,270</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	56,000	48		56,048
Public Health Services	8,837			8,837
Leisure Time Activities	14,089			14,089
Community Environment	1,058			1,058
Basic Utility Services	10,834			10,834
Transportation	8,041	42,004		50,045
General Government	101,202			101,202
Capital Outlay			315,264	315,264
	<u>200,061</u>	<u>42,052</u>	<u>315,264</u>	<u>557,377</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>53,024</u>	<u>30,133</u>	<u>(56,264)</u>	<u>26,893</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	1,283	2,468	53,233	56,984
Transfers-Out	<u>(32,990)</u>	<u>(30,640)</u>		<u>(63,630)</u>
Total Other Financing Receipts/(Disbursements)	<u>(31,707)</u>	<u>(28,172)</u>	<u>53,233</u>	<u>(6,646)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	21,317	1,961	(3,031)	20,247
Fund Cash Balances January 1	<u>55,385</u>	<u>16,679</u>	<u>87,570</u>	<u>159,634</u>
Fund Cash Balances, December 31	<u>\$76,702</u>	<u>\$18,640</u>	<u>\$84,539</u>	<u>\$179,881</u>
Reserves for Encumbrances, December 31	<u>\$1,601</u>	<u>\$767</u>		<u>\$2,368</u>

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

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$374,651
Interest	2,626
	377,277
Total Operating Cash Receipts	377,277
Operating Cash Disbursements:	
Personal Services	89,525
Fringe Benefits	30,155
Contractual Services	25,467
Supplies and Materials	74,839
Capital Outlay	37,103
Miscellaneous	80,785
	337,874
Total Operating Cash Disbursements	337,874
Operating Income	39,403
Non-Operating Cash Receipts:	
Special Assessments	2,635
Non-Operating Cash Disbursements:	
Debt Service	58,238
Excess of Receipts Over Disbursements Before Interfund Transfers	(16,200)
Transfers-In	47,199
Transfers-Out	(40,553)
Net Receipts Under Disbursements	(9,554)
Fund Cash Balances, January 1	509,616
Fund Cash Balances, December 31	\$500,062
Reserve for Encumbrances, December 31	\$1,834

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

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Liberty Center, Henry 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 general governmental services, including water and sewer utilities, and park operations (leisure time activities.) In fiscal year 2000, the Village contracted with the Henry County Sheriff's department to provide security of persons and property.

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

Certificates of deposit 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:

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.

State Highway Improvement Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing state highways within the Village.

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

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

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Projects Fund - This fund receives proceeds of an income tax. The proceeds are being used to finance capital improvements.

5. 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 Funds:

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

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

Special Assessment Fund - This fund receives assessments for payment of utility water lines.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 2000 and 1999 budgetary activity appears in Note 3.

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

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

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

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:

	<u>2000</u>	<u>1999</u>
Demand deposits	\$221,451	\$103,943
Certificates of deposit	<u>576,000</u>	<u>576,000</u>
Total deposits	<u>\$797,451</u>	<u>\$679,943</u>

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

3. BUDGETARY ACTIVITY

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

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$270,000	\$263,521	(\$6,479)
Special Revenue	85,041	53,210	(31,831)
Capital Projects	35,000	32,516	(2,484)
Enterprise	<u>486,200</u>	<u>447,399</u>	<u>(38,801)</u>
Total	<u>\$876,241</u>	<u>\$796,646</u>	<u>(\$79,595)</u>

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

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

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$254,490	\$223,555	\$30,935
Special Revenue	97,464	54,398	43,066
Capital Projects	48,000	15,114	32,886
Enterprise	967,651	392,731	574,920
Total	<u>\$1,367,605</u>	<u>\$685,798</u>	<u>\$681,807</u>

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$285,600	\$254,368	(\$31,232)
Special Revenue	99,200	74,653	(24,547)
Capital Projects	333,678	312,233	(21,445)
Enterprise	445,200	427,111	(18,089)
Total	<u>\$1,163,678</u>	<u>\$1,068,365</u>	<u>(\$95,313)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$260,650	\$234,652	\$25,998
Special Revenue	116,581	73,459	43,122
Capital Projects	335,000	315,264	19,736
Enterprise	915,554	438,499	477,055
Total	<u>\$1,627,785</u>	<u>\$1,061,874</u>	<u>\$565,911</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(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, 2000 was as follows:

	Principal	Interest Rate
First Mortgage Revenue Bonds	\$392,000	5%

The Waterworks System First Mortgage Revenue Bonds relates to a waterline project, in the amount of \$525,000 in loans to the Village. The bonds will be paid in installments over 37 years.

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

Year ending December 31:	Mortgage Revenue Bonds
2001	\$31,600
2002	31,000
2003	31,400
2004	31,750
2005	31,050
Subsequent	472,700
Total	\$629,500

6. RETIREMENT SYSTEMS

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The 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 2000 and 1999, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% (temporarily the Village paid 8.13% for the period of July 1 to December 31, 2000) of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

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

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.



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

Village of Liberty Center
Henry County
110 East Street
Liberty Center, Ohio 43532-9320

To the Village Council:

We have audited the accompanying financial statements of the Village of Liberty Center, Henry County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated February 27, 2001. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2000-30135-001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated February 27, 2001.

Village of Liberty Center
Henry County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended 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.

Jim Petro
Auditor of State

February 27, 2001

VILLAGE OF LIBERTY CENTER
HENRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-30135-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated 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.

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

- A. Concerning contracts where the amount in question is \$1,000 or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.
- B. Concerning amounts less than \$1,000, the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

This code section states that fiscal officers may prepare so-called "regular blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current fiscal year. The regular blanket certificates may, but need not, be limited to a specific vendor. Only one regular blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

In addition to regular blanket certificates, a subdivision's fiscal officer may also issue so-called "super blanket" certificates for amounts over \$5,000 for expenditures and contracts from a specific line-item appropriation account in a specified fund 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 fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

The Clerk-Treasurer did not make the proper certification of funds for 50 percent of the transactions tested during the audit period. We recommend that the Treasurer certify all expenditures at the point when the contract is entered into or orders for goods or services are placed by Village officials. The certification can also be made through the use of "regular blanket", "then and now" or "super blanket" certificates.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF LIBERTY CENTER

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 20, 2001**