



**Auditor of State
Betty Montgomery**

VILLAGE OF WEST LIBERTY
LOGAN COUNTY

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**Auditor of State
Betty Montgomery**

Village of West Liberty
Logan County
P.O. Box 187
West Liberty, Ohio 43357

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 27, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of West Liberty
Logan County
P.O. Box 187
West Liberty, Ohio 43357

To the Village Council:

We have audited the accompanying financial statements of Village of West Liberty, Logan County, (the "Village"), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or their changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

July 27, 2005

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$226,472	\$8,688			\$235,160
Special Assessments	3,411				3,411
Intergovernmental Receipts	165,141	127,388			292,529
Charges for Services	65,600	137,755			203,355
Fines, Licenses, and Permits	12,344				12,344
Earnings on Investments	12,591	384	439		13,414
Miscellaneous	36,036			34,020	70,056
Total Cash Receipts	<u>521,595</u>	<u>274,215</u>	<u>439</u>	<u>34,020</u>	<u>830,269</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	251,485	60,630			312,115
Public Health Services		144,254		26,458	170,712
Leisure Time Activities	12,910				12,910
Community Environment	1,748				1,748
Transportation	4,087	99,245			103,332
General Government	90,790				90,790
Debt Service:					
Principal Payments	4,857				4,857
Interest Payments	1,374				1,374
Capital Outlay	93,600			1,840	95,440
Total Cash Disbursements	<u>460,851</u>	<u>304,129</u>	<u></u>	<u>28,298</u>	<u>793,278</u>
Total Receipts Over/(Under) Disbursements	<u>60,744</u>	<u>(29,914)</u>	<u>439</u>	<u>5,722</u>	<u>36,991</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		30,140	170	439	30,749
Advances-In	2,078	2,078			4,156
Transfers-Out	(35,190)	(229)	0	0	(35,419)
Advances-Out	(2,078)	(2,078)			(4,156)
Total Other Financing Receipts/(Disbursements)	<u>(35,190)</u>	<u>29,911</u>	<u>170</u>	<u>439</u>	<u>(4,670)</u>
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	25,554	(3)	609	6,161	32,321
Fund Cash Balances, January 1	<u>211,180</u>	<u>98,287</u>	<u>15,000</u>	<u>72,407</u>	<u>396,874</u>
Fund Cash Balances, December 31	<u>\$236,734</u>	<u>\$98,284</u>	<u>\$15,609</u>	<u>\$78,568</u>	<u>\$429,195</u>

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

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$655,769		\$655,769
Miscellaneous	833		833
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	656,602		656,602
Operating Cash Disbursements:			
Personal Services	213,919		213,919
Fringe Benefits	77,340		77,340
Contractual Services	252,461		252,461
Supplies and Materials	70,093	105	70,198
Capital Outlay	27,293		27,293
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	641,106	105	641,211
Operating Income/(Loss)	<hr/>	<hr/>	<hr/>
	15,496	(105)	15,391
Non-Operating Cash Receipts:			
Loan Proceeds	46,181		46,181
	<hr/>	<hr/>	<hr/>
Non-Operating Cash Disbursements:			
Debt Service	25,271		25,271
Other Non-Operating Cash Disbursements	7,120		7,120
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Disbursements	32,391		32,391
Receipts Over/(Under) Disbursements Before Interfund Transfers	29,286	(105)	29,181
Transfers-In	25,372	413	25,785
Transfers-Out	(21,115)		(21,115)
	<hr/>	<hr/>	<hr/>
Net Receipts Over Disbursements	33,543	308	33,851
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	343,817	24,389	368,206
Fund Cash Balances, December 31	<u>\$377,360</u>	<u>\$24,697</u>	<u>\$402,057</u>

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

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$216,505	\$8,629			\$225,134
Special Assessments	906				906
Intergovernmental Receipts	139,090	74,287			213,377
Charges for Services	66,218	123,462			189,680
Fines, Licenses, and Permits	8,081				8,081
Earnings on Investments	18,717	1,366		625	20,708
Miscellaneous	20,005			35,140	55,145
Total Cash Receipts	<u>469,522</u>	<u>207,744</u>		<u>35,765</u>	<u>713,031</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	265,536	20,036		34,187	319,759
Public Health Services		136,799			136,799
Leisure Time Activities	20,283				20,283
Community Environment	1,792				1,792
Transportation	1,145	92,003			93,148
General Government	120,599				120,599
Capital Outlay	110,794				110,794
Total Cash Disbursements	<u>520,149</u>	<u>248,838</u>		<u>34,187</u>	<u>803,174</u>
Total Receipts Over/(Under) Disbursements	<u>(50,627)</u>	<u>(41,094)</u>		<u>1,578</u>	<u>(90,143)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		30,000			30,000
Transfers-Out	(30,000)				(30,000)
Total Other Financing Receipts/(Disbursements)	<u>(30,000)</u>	<u>30,000</u>			<u>0</u>
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(80,627)	(11,094)		1,578	(90,143)
Fund Cash Balances, January 1 (Restated - See Note 1)	291,807	109,381	15,000	70,829	487,017
Fund Cash Balances, December 31	<u>\$211,180</u>	<u>\$98,287</u>	<u>\$15,000</u>	<u>\$72,407</u>	<u>\$396,874</u>

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

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$587,227		\$587,227
Miscellaneous	17,940		17,940
	<u>605,167</u>		<u>605,167</u>
Operating Cash Disbursements:			
Personal Services	219,700		219,700
Fringe Benefits	93,618		93,618
Contractual Services	755,967		755,967
Supplies and Materials	77,178		77,178
Capital Outlay	42,334		42,334
	<u>1,188,797</u>		<u>1,188,797</u>
Operating (Loss)	<u>(583,630)</u>		<u>(583,630)</u>
Non-Operating Cash Receipts:			
Loan Proceeds	556,284		556,284
Non-Operating Cash Disbursements:			
Debt Service	10,310		10,310
Other Non-Operating Cash Disbursements	4,562		4,562
	<u>14,872</u>		<u>14,872</u>
Excess of Receipts Over/(Under) Disbursements	(42,218)		(42,218)
Fund Cash Balances, January 1	<u>386,035</u>	<u>24,389</u>	<u>410,424</u>
Fund Cash Balances, December 31	<u><u>\$343,817</u></u>	<u><u>\$24,389</u></u>	<u><u>\$368,206</u></u>

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

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 West Liberty, Logan County, (the "Village"), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides road repair and maintenance, cemetery maintenance, water and sewer utilities, garbage services, park operations (leisure time activities), emergency medical services 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds 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:

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Emergency Medical Services Fund (EMS) – This fund collects revenue from the billing of emergency medical services and expenditures are for maintaining the department.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following Capital Project Fund:

Emergency Medical Services Improvement Fund - This fund receives the donations and/or monies from fundraising events. The revenues are to be used to purchase equipment and other necessary items for the department.

4. 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 Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

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

Sewer Rehabilitation Fund - This fund receives loan proceeds from the Ohio Public Works Commission to finance a utility plant expansion. Utility charges within the Sewer Operating Fund will repay this loan.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund 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 funds:

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Brown Trust Fund – This Expendable Trust Fund receives money from rent of land and a house given to the Village. Revenue generated is used to maintain a specified lot in Fair View Cemetery and for the maintenance in this Cemetery.

Cemetery Endowment – This Non-expendable Trust Fund receives interest income from the principal received from donors. The income generated from the principal is to be used to maintain graves of the donors.

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. Village 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 4.

F. 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. RESTATEMENT OF BEGINNING FUND BALANCES

The prior reported fund balances for the Special Revenue Fund Type and Capital Projects Fund Type have been restated at January 1, 2003 to include balances in the Emergency Medical Services Special Revenue Fund and the Emergency Medical Services Improvement Fund Capital Projects Fund. These balances were previously not included in the Village's accounting records. The beginning fund balances were restated as follows:

Fund Type	Balance as Reported at December 31, 2002	Restated Balance at January 1, 2003
Special Revenue	\$88, 885	\$109,381
Capital Projects	0	15,000

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$369,000	\$302,828
Certificates of deposit	462,252	462,252
Total deposits and investments	<u>\$831,252</u>	<u>\$765,080</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by a letter or credit.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending [End of Years Audited] follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$500,000	\$521,595	\$21,595
Special Revenue	298,400	304,355	5,955
Capital Projects	300	609	309
Enterprise	723,715	728,155	4,440
Expendable Trust	36,000	34,459	(1,541)
Nonexpendable Trust	800	413	(387)
Total	<u>\$1,559,215</u>	<u>\$1,589,586</u>	<u>\$30,371</u>

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$703,441	\$496,041	\$207,400
Special Revenue	409,395	304,358	105,037
Enterprise	924,510	694,612	229,898
Expendable Trust	33,250	28,298	4,952
Nonexpendable Trust	800	105	695
Total	<u>\$2,071,396</u>	<u>\$1,523,414</u>	<u>\$547,982</u>

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$727,734	\$469,522	(\$258,212)
Special Revenue	305,700	237,744	(67,956)
Capital Projects	35,000		(35,000)
Enterprise	1,256,500	1,161,451	(95,049)
Expendable Trust	36,020	35,765	(255)
Nonexpendable Trust			0
Total	<u>\$2,360,954</u>	<u>\$1,904,482</u>	<u>(\$456,472)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$985,052	\$550,149	\$434,903
Special Revenue	410,515	248,838	161,677
Capital Projects	35,000		35,000
Enterprise	1,591,340	1,203,669	387,671
Expendable Trust	68,150	34,187	33,963
Nonexpendable Trust			0
Total	<u>\$3,090,057</u>	<u>\$2,036,843</u>	<u>\$1,053,214</u>

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan # 1	\$132,430	0.00%
Ohio Public Works Commission Loan # 2	5,000	0.00%
Ohio Public Works Commission Loan # 3	583,504	0.00%
Pierce Contender Pumper	161,166	4.75%
Total	\$882,100	

The Ohio Public Works Commission (OPWC) Loan #1 relates to a sanitary sewer rehabilitation. The loan was issued during 1998 at a 0% interest rate. The OPWC approved a \$196,193 loan to the Village for this project. Semi-annual installments of \$4,905 are required over a twenty year period. The first 1999 semi-annual payment was made during 1998.

The Ohio Public Works Commission (OPWC) Loan #2 relates to a sludge management project undertaken by the Village. The loan was issued during 1998 at 0% interest rate. The OPWC approved a \$10,000 loan to the Village for this project. Semi-annual installments of \$250 are required over a twenty year period. The first 1999 semi-annual payment was made during 1998.

The Ohio Public Works Commission (OPWC) Loan #3 relates to a sanitary sewer rehabilitation. The loan was issued during 2003 at a 0% interest rate. The OPWC approved a \$598,500 loan to the Village for this project. Semi-annual installments of \$14,962 are required over a twenty year period. The first 2003 semi-annual payment was made during 2004.

The People's Savings and Loan note is for a Pierce Commercial Contender Pumper. The loan was issued during 2004 at 4.754% interest rate. The People's Savings Loan approved a \$165,967 loan to the village. The village will be paying \$3,115.67 a month for sixty months. The first payment was made in November 2004.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OPWC Note # 1	OPWC Note # 2	OPWC Note # 3	Pumper Truck Note
2005	\$9,809	\$500	\$29,923	\$37,388
2006	9,809	500	29,923	37,388
2007	9,809	500	29,923	37,388
2008	9,809	500	29,923	37,388
2009	9,809	500	29,923	31,156
2010-2014	49,045	2,500	149,615	
2015-2019	34,340		149,615	
2020-2024			134,659	
Total	\$132,430	\$5,000	\$583,504	\$180,708

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RETIREMENT SYSTEMS

A. Ohio Police and Fire Pension and Ohio Public Employees Retirement System

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members 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, 2004.

B. Social Security System

One Council member and seventeen members of the fire department have elected Social Security. The Village's liability is 6.2 percent of wages paid.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Property coverage;
- Auto coverage; and
- Inland marine.

9. RELATED PARTY TRANSACTIONS

A Village Council Member owns Liberty Oil and Gas, which provides gasoline and vehicle services to the Village. During 2004 and 2003, the amount paid to Liberty Oil and Gas was \$4,326 and \$12,047. Also, this Council Member is co-owner of Liberty Firestone which provided tires and repair services to the Village in the amount of \$2,373 for 2004 and \$1,358 in 2003.

During 2004 and 2003, the husband of the Clerk/Treasurer was paid, \$400 and \$3,800, respectively, for installing new water meters.

VILLAGE OF WEST LIBERTY
LOGAN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

10. SUBSEQUENT EVENTS

The Village received and signed an agreement, February 14, 2005 for an interest free loan in the amount of \$166,000 from the "Small Government Fire Department Services Revolving Loan Program." The purpose is for the Pierce Commercial Contender Pumper in which at the present time is being paid from an installment loan set up at People's Savings and Loan. The village will pay off the loan at Peoples Savings and Loan. The loan was received April 20, 2005 with the first payment due in June 2005. The village will be making quarterly payments in the amount of \$4,150 for ten years.



Auditor of State Betty Montgomery

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

Village of West Liberty
Logan County
P.O. Box 187
West Liberty, Ohio 43357

To the Village Council:

We have audited the financial statements of the Village of West Liberty, Logan County, (the "Village"), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 27, 2005 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit 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 the Comptroller General of the United States' *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 in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated July 27, 2005, we reported other matters involving internal control over financial reporting we did not deem to be reportable conditions.

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, providing an opinion 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Village's management dated July 27, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Village of West Liberty
Logan County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 27, 2005

VILLAGE OF WEST LIBERTY
LOGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

Noncompliance

Ohio Rev. Code Section 723.52 states that before letting or making any contract for the construction, reconstruction, widening, resurfacing, or repair of a street or other public way, the director of public service in a city, or the legislative authority in a village, shall make an estimate of the cost of such work using the force account project assessment form developed by the auditor of state under Section 117.16 of the Revised Code. In municipal corporations having an engineer, or an officer having a different title but the duties and functions of an engineer, the estimate shall be made by the engineer or other officer. Where the total estimated cost of any such work is thirty thousand dollars or less, the proper officers may proceed by force account.

Where the total estimated cost of any such work exceeds thirty thousand dollars, the proper officers of the municipal corporation shall be required to invite and receive competitive bids for furnishing all the labor, materials, and equipment and doing the work, after newspaper advertisement as provided by law. The Village did not bid the 2004 road paving project in the amount of \$31,640 which was performed by the County.

The Village should implement procedures to help ensure compliance with all applicable force account and bidding requirements.

FINDING NUMBER 2004-002

Noncompliance

Ohio Rev. Code Section 5705.41(D) 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 entity can authorize the drawing of a warrant for the payment of the amount due. The entity has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**FINDING NUMBER 2004-002
(Continued)**

Amounts of less than \$1,000 (\$3,000, effective 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 entity.

2. **Blanket certificate** – The fiscal officer may prepare “blanket” certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period not exceeding three months (three month limitation was eliminated effective September 26, 2003) 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.
3. **Super Blanket certificate** – The entity 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 one line item appropriation.

During 2004 and 2003, the Village did not properly certify the availability of funds prior to purchase commitment for 27% of the expenditures tested and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

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, the Village Clerk/Treasurer should certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

The Village should certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk/Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk/Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	ORC Sec. 9.38 – Failure to timely deposit public money	Yes	
2002-002	ORC Sec. 731.14 – Failure to follow competitive bidding procedures	No	Not Corrected. Repeated as Finding # 2004-001.
2002-003	ORC Sec. 135.21 & 5705.10 – Incorrect interest postings	No	Partially Corrected. Repeated in Management Letter.
2002-004	ORC Sec. 5705.41 (D) – Failure to certify funds prior to expenditure	No	Not Corrected. Repeated as Finding # 2004-002
2002-005	Completeness of Financial Activity for the EMS fund	Yes	.
2002-006	Accuracy of Financial Reporting	Yes	



**Auditor of State
Betty Montgomery**

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**VILLAGE OF WEST LIBERTY
SHELBY 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
AUGUST 30, 2005**