



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Liberty Center
Henry County
P.O. Box 92
Liberty Center, Ohio 43532-0092

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Liberty Center, Henry County, Ohio (the Village), have agreed, solely to assist the Council and Mayor in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2010 and 2009 and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management, the Mayor, and the Council are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. 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 provide attest services to 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 perform this engagement, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to perform attest services for Ohio governments.

This report only describes exceptions exceeding \$10.

Cash and Investments

1. We tested the mathematical accuracy of the December 31, 2010 and December 31, 2009 bank reconciliations. We noted no exceptions.
2. We agreed the January 1, 2009 beginning fund balances recorded in the Fund Status Report to the December 31, 2008 balances in the prior year audited statements. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2010 and 2009 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2010 bank account balances with the Village's financial institutions. We found no exceptions. We also agreed the confirmed balances to the amounts appearing on the December 31, 2010 bank reconciliation. The bank account balance was \$389 higher. This was accrued interest on a CD which was posted to the Village's records when the CD matured.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2010 bank reconciliation:

- a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.
6. We tested investments held at December 31, 2010 and December 31, 2009 to determine that they:
- a. Were of a type authorized by Ohio Rev. Code, Sections 135.13, 135.14 or 135.144. We found no exceptions.
 - b. Mature within the prescribed time limits noted in Ohio Rev. Code, Section 135.13 or 135.14. We noted no exceptions.

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2010 and one from 2009:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipts Register Report. The amounts agreed.
 - b. We determined whether the receipt was allocated to the proper fund as required by Ohio Rev. Code, Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Receipts Register Report to determine whether it included the proper number of tax receipts for 2010 and 2009:
 - a. Two personal property tax receipts
 - b. Two real estate tax receipts

We noted the Receipts Register Report included the proper number of tax settlement receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2010 and five from 2009. We also selected five receipts from the County Auditor's Appropriation History (DTL) from 2010 and five from 2009.
 - a. We compared the amount from the DTL to the amount recorded in the Receipts Register Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.
4. We confirmed the amounts paid from Ohio Public Works Commission to the Village during 2009 with the Commission. We found no exceptions.
 - a. We determined whether these receipts were allocated to the proper fund. We found no exceptions.

- b. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Income Tax Receipts

1. We obtained the December 31, 2010 and 2009 Distributions reports submitted by the Central Collection Agency (CCA), the agency responsible for collecting income taxes on behalf of the Village. We agreed the total gross income taxes per year to the Village's Receipts Register Report. The amounts agreed.
2. We compared the allocation of income tax receipts for the years ended December 31, 2010 and 2009 to the Village's funds according to the allocation requirements of Ordinance No.878. The allocation agreed with the percentages the Ordinance requires for 2010. In 2009 the General Fund was allocated \$164 of the Capital Improvement Fund's share of Income Tax revenue contrary to the requirements of Ohio Rev. Code Section 5705.10. This code section requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

Water and Sewer Fund

1. We haphazardly selected 10 Water and Sewer Fund collection cash receipts from the year ended December 31, 2010 and 10 collection cash receipts from the year ended December 31, 2009 recorded in the Receipts Register Report and determined whether the:
 - a. Receipt amount per the Receipts Register Report agreed to the amount recorded to the credit of the customer's account in the Payment Listing Report. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Payment Listing Report for the billing period. We found no exceptions.
 - ii. Complied with rates in force during the audit period, multiplied by the consumption amount recorded for the billing period. We found no exceptions.
 - c. Receipt was posted to the proper funds, and was recorded in the year received. We found no exceptions.
2. We read the Customer Aged A/R Report.
 - a. We noted this report listed \$48,918 and \$48,437 of accounts receivable as of December 31, 2010 and 2009, respectively.
 - b. Of the total receivables reported in the preceding step, \$2,532 and \$3,484 were recorded as more than 90 days delinquent.
3. We read the Adjustment Listing Report.
 - a. We noted this report listed a total of \$3,315 and \$19,078 non-cash receipts adjustments for the years ended December 31, 2010 and 2009, respectively.

- b. We selected five non-cash adjustments from 2010 and five non-cash adjustments from 2009, and noted the Board of Public Affairs approved each adjustment in 2010. However, no adjustments were approved by board in 2009. We recommend the Board of Public Affairs establish a written policy on what actions should be taken for delinquent accounts and when write offs should be approved by the Board of Affairs.

Debt

1. From the prior audit report, we noted the following bonds and loans outstanding as of December 31, 2008. These amounts agreed to the Villages January 1, 2009 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2008:
Mortgage Revenue Obligation Bonds	\$279,000
Ohio Public Works Commission Loans	\$67,307

2. We inquired of management, and scanned the Revenue Ledger and Appropriation Ledger for evidence of debt issued during 2010 or 2009 or debt payment activity during 2010 or 2009. We noted no new debt issuances during 2010 or 2009.
3. We obtained a summary of bonded and loan debt activity for 2010 and 2009 and agreed principal and interest payments from the related debt amortization schedules to water debt service fund and other capital projects fund payments reported in the Appropriation Ledger. We also compared the date the debt service payments were due to the date the Village made the payments. We found no exceptions.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2010 and one payroll check for five employees from 2009 from the Payroll Register Detail and:
 2.
 - a. We compared the hours and pay rate, or salary recorded in the Payroll Register Detail to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - b. We determined whether the fund and account code(s) to which the check was posted were reasonable based on the employees' duties as documented in the minute record and village ordinances. We also determined whether the payment was posted to the proper year. We found no exceptions.

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2010 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period during 2010. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes and Medicare	January 31, 2011	January 5, 2011	\$2,679.28	\$2,679.28
State income taxes	January 15, 2011	January 5, 2011	820.81	820.81
Village of Liberty Center income taxes	January 20, 2011	January 5, 2011	235.42	235.42
OPERS retirement	January 30, 2011	January 6, 2011	6,012.35	6,012.35

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2010 and ten from the year ended December 31, 2009 and determined whether:
- a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Register Detail Report and to the names and amounts on the supporting invoices. We found no exceptions.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
 - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code, Section 5705.41(D). We found no exceptions.

Compliance – Budgetary

1. We compared the total amounts from the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Street Construction and Maintenance and Repair, and State Highway funds for the years ended December 31, 2010 and 2009. The amounts agreed in 2009. In 2010, the amounts on the *Certificate* did not agree to the amounts recorded in the accounting system in the General, Street Construction Maintenance and Repair, and St. Highway Funds. The Revenue Status Report recorded the following budgeted (i.e. certified) resources while the final *Amended Official Certificate of Estimated Resources* reflected the amounts listed below:

	Certificate of Estimated Resources	Revenue Status
General Fund	\$250,000	\$268,300
Street Construction Maintenance and Repair	58,700	57,700
State Highway	3,800	4,000

The Clerk/Treasurer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending. An amendment was requested December 30, 2010, but due to an oversight by the Clerk/Treasurer was not made to the system.

2. We scanned the appropriation measures adopted for 2010 and 2009 to determine whether, for the General, Street Construction Maintenance and Repair, and State Highway funds, the Council appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code, Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code, Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2010 and 2009 for the following funds: General, Street Construction Maintenance and Repair, and State Highway funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report.
4. Ohio Rev. Code, Section 5705.39, prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Street Construction Maintenance and Repair, and State Highway funds for the years ended December 31, 2010 and 2009. We noted no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code, Section 5705.41(B), prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2010 and 2009 for the General, Street Construction Maintenance and Repair, and State Highway funds, as recorded in the Appropriation Status Report. We noted no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code, Section 5705.09, requires establishing separate funds to segregate externally-restricted resources. We scanned the Receipts Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2010 and 2009. We also inquired of management regarding whether the Village received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code, Section 5705.09, would require the Village to establish a new fund.

7. We scanned the 2010 and 2009 Revenue Ledger and Appropriation Ledger for evidence of interfund which Ohio Rev. Code, Sections 5705.14 -- .16, restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Appropriation Ledger to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code, Section 5705.13. We noted the Village did not establish these reserves.

Compliance – Contracts and Expenditures

1. We inquired of management and scanned the appropriation ledger for the years ended December 31, 2010 and 2009 for material or labor procurements which exceeded \$25,000, and therefore required competitive bidding under Ohio Rev. Code, Section 731.14. We identified a street widening project exceeding \$25,000, subject to Ohio Rev. Code, Section 731.14. For this project, we noted the Council advertised the project in a local newspaper and selected the lowest responsible bidder.
2. We inquired of management and scanned the appropriation ledger for the years ended December 31, 2010 and 2009 to determine if the Village had road construction projects exceeding \$30,000 for which Ohio Rev. Code, Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.
3. For the street repaving project described in step 1 above, we read the contract and noted it required the contractor to pay prevailing wages to their employees as required by Ohio Rev. Code, Sections 4115.04 and 4115.05. The contract included the Ohio Department of Commerce's schedule of prevailing rate and also required the contractor to incorporate the prevailing wage requirements into its subcontracts.

Officials' Response:

We did not receive a response from Officials to the exceptions reported above.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Village's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the Village, and is not intended to be, and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

November 14, 2011

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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
DECEMBER 6, 2011