

***VILLAGE OF FREEPORT  
HARRISON COUNTY, OHIO***

**AUDIT REPORT**

**For the Years Ended December 31, 2010 and 2009**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

Members of Council  
Village of Freeport  
306 Piedmont Street  
Freeport, Ohio 43973

We have reviewed the *Report of Independent Accountants* of the Village of Freeport, Harrison County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Dave Yost  
Auditor of State

September 29, 2011

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**VILLAGE OF FREEPORT**  
**HARRISON COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2010 and 2009**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Report of Independent Accountants	1-2
Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	3
Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2010	4
Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009	5
Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2009	6
Notes to the Financial Statements	7-12
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13-14
Schedule of Findings	15-19
Schedule of Prior Audit Findings	20

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Freeport  
Harrison County  
306 Piedmont Rd.  
Freeport, Ohio 43973

To Village Council:

We have audited the accompanying financial statements of the Village of Freeport, Harrison County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009. 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. We believe that 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.

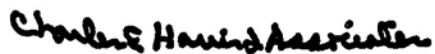
Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2010 and 2009. Instead of the combined funds the accompanying financial statements present for 2010 and 2009, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately for 2010 and 2009. 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 governments to reformat their statements. The Village has elected not to reformat its statements. Since the 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009, 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, 2010 and 2009, or its changes in financial position or cash flows for the years 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 of Freeport, Harrison County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements and changes in fund cash balances 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 years ended December 31, 2010 and 2009. 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 22, 2011, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



**Charles E. Harris & Associates, Inc.**  
July 22, 2011



**VILLAGE OF FREEPORT  
HARRISON COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2010**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Property and Other Local Taxes	\$ 41,942	\$ 28,361	\$ 70,303
Municipal Income Tax	68,975	-	68,975
Earnings on Investments	70	211	281
Miscellaneous	22,357	-	22,357
<b>Total Receipts</b>	<u>133,344</u>	<u>28,572</u>	<u>161,916</u>
<b>Disbursements:</b>			
<b>Current:</b>			
Security of Persons & Property	6,634	3,771	10,405
Public Health Services	60	-	60
Transportation	-	24,622	24,622
General Government	99,296	-	99,296
Capital Outlay	63,302	-	63,302
<b>Total Cash Disbursements</b>	<u>169,292</u>	<u>28,393</u>	<u>197,685</u>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<b>(35,948)</b>	<b>179</b>	<b>(35,769)</b>
<b>Fund Balance January 1, 2010</b>	<u>248,714</u>	<u>45,275</u>	<u>293,989</u>
<b>Fund Balance December 31, 2010</b>	<u><u>\$ 212,766</u></u>	<u><u>\$ 45,454</u></u>	<u><u>\$ 258,220</u></u>

See accompanying Notes to the Financial Statements.

**VILLAGE OF FREEPORT**  
**HARRISON COUNTY, OHIO**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND CASH BALANCES - PROPRIETARY FUND TYPE**  
**For the Year Ended December 31, 2010**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Receipts:</b>	
Charges for Services	\$ 46,407
<b>Total Operating Receipts</b>	46,407
<b>Operating Disbursements:</b>	
Personal Services	22,952
Supplies & Materials	9,711
Contractual Services	8,602
<b>Total Operating Disbursements</b>	41,265
<b>Excess Operating Receipts Over/(Under) Operating Disbursements</b>	5,142
<b>Non-Operating Disbursements:</b>	
Debt Service	
Retirement of Principal	(10,004)
Interest and Fiscal Charges	(915)
<b>Total Non-Operating Disbursements</b>	(10,919)
<b>Excess of Receipts Over/(Under) Disbursements</b>	(5,777)
<b>Fund Balance January 1, 2010</b>	10,847
<b>Fund Balance December 31, 2010</b>	\$ 5,070

See accompanying Notes to the Financial Statements.

**VILLAGE OF FREEPORT**  
**HARRISON COUNTY, OHIO**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND**  
**CASH BALANCES - ALL GOVERNMENTAL FUND TYPES**  
**For the Year Ended December 31, 2009**

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<b>Receipts:</b>			
Property and Other Local Taxes	\$ 44,654	\$ 26,478	\$ 71,132
Municipal Income Tax	53,257	-	53,257
Earnings on Investments	74	228	302
Miscellaneous	22,859	-	22,859
<b>Total Receipts</b>	<u>120,844</u>	<u>26,706</u>	<u>147,550</u>
<b>Disbursements:</b>			
<b>Current:</b>			
Security of Persons & Property	6,411	3,698	10,109
Supplies and Materials	-	639	639
Transportation	-	24,104	24,104
General Government	79,629	-	79,629
Capital Outlay	15,730	-	15,730
<b>Total Cash Disbursements</b>	<u>101,770</u>	<u>28,441</u>	<u>130,211</u>
<b>Excess of Receipts Over/(Under)</b>			
Disbursements	19,074	(1,735)	17,339
<b>Fund Balance January 1, 2009</b>	<u>229,640</u>	<u>47,010</u>	<u>276,650</u>
<b>Fund Balance December 31, 2009</b>	<u>\$ 248,714</u>	<u>\$ 45,275</u>	<u>\$ 293,989</u>

See accompanying Notes to the Financial Statements.

**VILLAGE OF FREEPORT**  
**HARRISON COUNTY, OHIO**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND CASH BALANCES - PROPRIETARY FUND TYPE**  
**For the Year Ended December 31, 2009**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Receipts:</b>	
<b>Charges for Services</b>	<b>\$ 44,906</b>
<b>Total Operating Receipts</b>	<b>44,906</b>
<b>Operating Disbursements:</b>	
Personal Services	17,119
Contractual Services	8,056
Supplies and Materials	7,760
<b>Total Operating Disbursements</b>	<b>32,935</b>
<b>Excess Operating Receipts Over/(Under) Operating Disbursements</b>	<b>11,971</b>
<b>Non-Operating Disbursements:</b>	
Debt Service	
Retirement of Principal	(9,434)
Interest and Fiscal Charges	(1,485)
<b>Total Non-Operating Disbursements</b>	<b>(10,919)</b>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<b>1,052</b>
<b>Fund Balance January 1, 2009</b>	<b>9,795</b>
<b>Fund Balance December 31, 2009</b>	<b>\$ 10,847</b>

See accompanying Notes to the Financial Statements.

**VILLAGE OF FREEPORT  
HARRISON COUNTY, OHIO**  
Notes to the Financial Statements  
For the Years Ended December 31, 2010 and 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Village of Freeport is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government. Elected officials include council members and a mayor. The Village provides general government services, including maintenance of Village streets, police, sewer, water, utilities, and park operations.

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 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:

**1. General Fund**

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF FREEPORT  
HARRISON COUNTY, OHIO**  
Notes to the Financial Statements  
For the Years Ended December 31, 2010 and 2009

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

D. **FUND ACCOUNTING - (continued)**

2. **Special Revenue Funds**

To account for the proceeds of specific revenue sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue funds:

*Street Construction, Maintenance and Repair Fund* – This fund receives gasoline tax monies from the State of Ohio for construction and repair of Village streets.

*State Highway Improvement Fund* – This fund receives gasoline tax monies from the State of Ohio for maintenance and repair of state highways in the Village.

*Permissive Motor Vehicle License Tax Fund* - This fund receives motor vehicle license tax money to construct, maintain and repair Village roads.

3. **Enterprise Fund**

This fund accounts 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:

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

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 and 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 as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF FREEPORT  
HARRISON COUNTY, OHIO**  
Notes to the Financial Statements  
For the Years Ended December 31, 2010 and 2009

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

E. **BUDGETARY PROCESS - (continued)**

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.

A summary of 2010 and 2009 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.

G. **ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. **EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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:

	2010	2009
Demand Deposits	\$263,290	\$304,836

*Deposits:* Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF FREEPORT**  
**HARRISON COUNTY, OHIO**  
Notes to the Financial Statements  
For the Years Ended December 31, 2010 and 2009

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2010 and 2009 is as follows:

<b>2010 Budgeted vs. Actual Receipts</b>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 64,104	\$ 133,344	\$ 69,240
Special Revenue	14,047	28,572	14,525
Enterprise	50,000	46,407	(3,593)

<b>2010 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 64,104	\$ 169,292	\$ (105,188)
Special Revenue	14,047	28,393	(14,346)
Enterprise	50,000	52,184	(2,184)

<b>2009 Budgeted vs. Actual Receipts</b>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 66,070	\$ 120,844	\$ 54,774
Special Revenue	14,010	26,706	12,696
Enterprise	50,000	44,906	(5,094)

<b>2009 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ -	\$ 101,770	\$ (101,770)
Special Revenue	-	28,441	(28,441)
Enterprise	-	43,854	(43,854)



**VILLAGE OF FREEPORT  
HARRISON COUNTY, OHIO**  
Notes to the Financial Statements  
For the Years Ended December 31, 2010 and 2009

**4. PROPERTY TAXES**

Real property becomes 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.

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30. Tangible personal property tax was phased out through 2009.

The Harrison Auditor 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, 2010 is as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$ 5,148	6.04%
Total	<u>\$ 5,148</u>	

The prior year ending debt balance was overstated by \$927.

The Ohio Water Development Authority loans were used for a water tank project. The loan will be repaid in semi-annual installments and is collateralized by future water revenue from Village customers.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2010 are as follows:

<u>For The Year Ending 12/31</u>	<u>OWDA Loans</u>
2011	<u>5,148</u>
Total	<u>\$ 5,148</u>

**VILLAGE OF FREEPORT  
HARRISON COUNTY, OHIO**  
Notes to the Financial Statements  
For the Years Ended December 31, 2010 and 2009

**6. LOCAL INCOME TAX**

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

Employers within the Village withhold income tax on employee compensation and remit tax to the Village monthly, quarterly or as required. Corporations and individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**7. RETIREMENT SYSTEM**

The Ohio Public Employees Retirement System (OPERS) is a cost sharing, multiple employer defined benefit pension plan administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 1454 of the Ohio Revised Code. OPERS issues a stand-alone financial report.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contributions rates are 10% for years 2009 and 2010 of their gross salaries. For local government employer units, the rate was 14% of covered payroll for 2009 and 2010. The contribution rates are determined actuarially. The Village has paid all contributions required through December 31, 2010.

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles
- Errors and omissions; and
- Public Officials liability.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

**9. LEGAL COMPLIANCE**

The Village did not properly certify the availability of funds for 100% of its non-payroll expenditures contrary to Section 5705.41(D) of the Ohio Revised Code.

The Village had expenditures exceeding appropriations contrary to Section 5705.41(B) of the Ohio Revised Code.

The Village failed to pass an annual appropriation measure for 2009 contrary to Section 5705.38(A) of the Ohio Revised Code.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Village of Freeport  
Harrison County  
102 E. Sixth Street  
Freeport, Ohio 43430

To the Village Council:

We have audited the financial statements of the Village of Freeport, Harrison County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 22, 2011, 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 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.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses.

However, as described in the accompanying schedule of findings, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses.

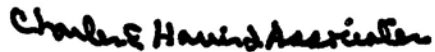
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-Freeport-003 and 004 described in the accompanying schedule of findings to be material weaknesses.

### Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2010-Freepport-001 through 005.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Village Council and others within the Village. We intend it for no one other than these specified parties.



*Charles E. Harris and Associates, Inc.*  
July 22, 2011

**VILLAGE OF FREEPORT  
HARRISON COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 and 2009**

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

**Finding Number: 2010-Freeport-001 - Non-Compliance Citation**

**Certification of Disbursements:**

Ohio Revised Code Section 5705.41 (D), requires in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes 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.

There are several exceptions to the standard requirement state 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" at the time that he is completing his certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal 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 City 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 reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF FREEPORT  
HARRISON COUNTY  
SCHEDULE OF FINDINGS- (continued)  
DECEMBER 31, 2010 and 2009**

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

**Finding Number: 2010-Freeport-001 - (continued)**

The Village did not properly certify or record the amount against applicable appropriations accounts for 100% of tested expenditures in 2010 and 2009. The Village did not utilize the certification exceptions above for those expenditures lacking prior certification.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the availability of funds prior to the commitment for the expenditure of Village money. The Village should consider the use of blanket purchase orders and "then and now" certificates to assist in complying with the above requirement.

**Management Response:**

The Village will implement purchase orders in the future.

**Finding Number: 2010-Freeport-002 – Non-Compliance Citation**

**Expenditures Exceed Appropriations**

Section 5705.41 (B), Revised Code, prohibits the Village from making expenditure unless it has been properly appropriated. In 2009, no appropriations were passed, therefore causing expenditures to exceed appropriations in all funds. The following funds were found to have expenditures in excess of appropriations in 2010:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 64,104	\$ 169,292	\$ (105,188)
Special Revenue-SCM&R	8,907	26,090	(17,183)
Special Revenue-PMVL	0	2,262	(2,262)
Enterprise-Water	50,000	52,184	(2,184)

**Management Response:**

Management will monitor appropriations versus expenditures to avoid violations in the future.

**VILLAGE OF FREEPORT  
HARRISON COUNTY  
SCHEDULE OF FINDINGS- (continued)  
DECEMBER 31, 2010 and 2009**

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

**Finding Number: 2010-Freeport-003 – Non-Compliance Citation and Material Weakness**

**Proper Posting of Receipts and Disbursements**

Ohio Administrative Code Section 117-2-02(A) states that all public offices maintain accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by the Ohio Administrative Code section 117-2-03. The Village did not correctly code and classify certain receipts and expenditures in a manner consistent with this section. These amounts were reclassified in the financial statements to reflect the proper presentation.

Failure to adopt and consistently follow a uniform chart of accounts increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The fiscal officer should review the chart of accounts suggested in Ohio Administrative Code and the Village Officers' Handbook. All transactions should be properly coded and classified accounting to the adopted chart of accounts to help ensure financial activity of the Village is accurately reported.

**Management Response:**

Management will strive to improve its accuracy in the posting of its financial information.

**VILLAGE OF FREEPORT  
HARRISON COUNTY  
SCHEDULE OF FINDINGS- (continued)  
DECEMBER 31, 2010 and 2009**

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

**Finding Number: 2010-Freeport-004 – Non-Compliance Citation and Material Weakness**

**Posting Budgetary Information**

Ohio Administrative Code Section 117-2-02(1) states, “All local offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on realized budgetary receipts and remaining uncommitted balances of appropriations.”

The Village Fiscal Officer did not accurately post the amounts of appropriations as approved by Council or the amounts of estimated resources as certified by the budget commission to the ledgers.

As the appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is necessary that the amounts appropriated by the Village Council are precisely stated and accurately posted to the appropriation ledger.

As the original certificate and amendments establish the amounts available for expenditures in the Village and the receipt ledger provides the process by which the Village controls what is available, it is necessary that the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

Failure to accurately post the appropriations and estimated resources to the ledger could result in overspending and negative cash balances. To effectively control the budgetary cycle and to maintain accountability over Village expenditures and revenues, the Village Clerk/Treasurer should post to the ledgers, on a timely basis, appropriation amounts as passed by Council and estimated resources as certifies by the budget commission. Council should also monitor budget versus actual reports to ensure supplemental and amended appropriation and amended certificates of resources have been properly posted.

**Management Response:**

The Village will strive to improve its recording of financial information.



VILLAGE OF FREEPORT  
HARRISON COUNTY  
SCHEDULE OF FINDINGS- (continued)  
DECEMBER 31, 2010 and 2009

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

**Finding Number:** 2010-Freeport-005 - Non-Compliance Citation

**Annual Appropriation Measure**

Section 5705.38 (A), Revised Code, requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Village failed to pass an annual appropriations ordinance in 2009. We recommend that the Village pass an annual appropriations measure each fiscal year by the required date to ensure that all expenditures are properly appropriated.

**VILLAGE OF FREEPORT  
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: Per ADAM 2001-10-disclose the current year finding in this schedule</b>
2008-Freeport-001	ORC Section 5705.41 (D)- Failure to certify funds	No	Not Corrected. See Finding 2010-Freeport-001
2008-Freeport-002	ORC Section 5705.41(B) Expenditures Exceed Appropriations	No	Not Corrected. See Finding 2010-Freeport-002
2008-Freeport-003	Proper Posting of Receipts and Disbursements	No	Not Corrected- See Finding 2010-Freeport-003
2008-Freeport-004	Posting of Budgetary Information	No	Not Corrected. See Finding 2010-Freeport-004



# Dave Yost • Auditor of State

VILLAGE OF FREEPORT

HARRISON 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  
OCTOBER 11, 2011