



**VILLAGE OF FREEPORT
HARRISON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF FREEPORT
HARRISON COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types – For the Year Ended December 31, 2000	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type – For the Year Ended December 31, 2000	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types – For the Year Ended December 31, 1999	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type – For the Year Ended December 31, 1999	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

Government Center
242 Federal Plaza West, Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Freeport
Harrison County
P. O. Box 176
Freeport, Ohio 43973

To the 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, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Freeport, Harrison County, as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2001 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 14, 2001

This page intentionally left blank.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Local Taxes	\$68,270	\$7,302		\$75,572
Intergovernmental Receipts	20,920	16,172		37,092
Earnings on Investments	1,176	586		1,762
Miscellaneous	1,147			1,147
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	91,513	24,060		115,573
Cash Disbursements:				
Current:				
Security of Persons and Property	4,884	3,600		8,484
Public Health Services	60			60
Leisure Time Activities	1,350		\$28	1,378
Basic Utility Services	99	2,982		3,081
Transportation	191	13,154		13,345
General Government	32,058	3,596		35,654
Capital Outlay	7,939			7,939
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	46,581	23,332	28	69,941
Total Receipts Over/(Under) Disbursements	44,932	728	(28)	45,632
Fund Cash Balances, January 1	74,908	30,230	594	105,732
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$119,840</u>	<u>\$30,958</u>	<u>\$566</u>	<u>\$151,364</u>

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

VILLAGE OF FREEPORT
HARRISON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$43,608
Earnings on Investments	<u>585</u>
Total Operating Cash Receipts	44,193
Operating Cash Disbursements:	
Personal Services	15,095
Basic Utility	4,911
Supplies and Materials	<u>15,482</u>
Total Operating Cash Disbursements	<u>35,488</u>
Operating Income/(Loss)	8,705
Non-Operating Cash Disbursements:	
Debt Service	<u>10,919</u>
Total Non-Operating Cash Disbursements	10,919
Net Receipts Over/(Under) Disbursements	(2,214)
Fund Cash Balances, January 1	<u>21,475</u>
Fund Cash Balances, December 31	<u><u>\$19,261</u></u>

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

**VILLAGE OF FREEPORT
HARRISON COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Local Taxes	\$47,513	\$7,721		\$55,234
Intergovernmental Receipts	22,107	18,324		40,431
Earnings on Investments	887	444		1,331
Miscellaneous	1,209		\$513	1,722
Total Cash Receipts	71,716	26,489	513	98,718
Cash Disbursements:				
Current:				
Security of Persons and Property	4,743			4,743
Leisure Time Activities			579	579
Basic Utility Services	36	2,923		2,959
Transportation	2,500	15,775		18,275
Capital Outlay		3,249		3,249
General Government	36,200	296		36,496
Total Cash Disbursements	43,479	22,243	579	66,301
Total Receipts Over/(Under) Disbursements	28,237	4,246	(66)	32,417
Fund Cash Balances, January 1	46,671	25,984	660	73,315
Fund Cash Balances, December 31	\$74,908	\$30,230	\$594	\$105,732

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

VILLAGE OF FREEPORT
HARRISON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Enterprise Fund</u>
Operating Cash Receipts:	
Charges for Services	\$43,395
Interest	444
Miscellaneous	<u>673</u>
Total Operating Cash Receipts	44,512
Operating Cash Disbursements:	
Personal Services	10,392
Fringe Benefits	4,063
Supplies and Materials	13,596
Basic Utility	<u>4,842</u>
Total Operating Cash Disbursements	<u>32,893</u>
Operating Income/(Loss)	11,619
Non-Operating Cash Disbursements:	
Debt Service	<u>13,015</u>
Total Non-Operating Cash Disbursements	13,015
Net Receipts Over/(Under) Disbursements	(1,396)
Fund Cash Balances, January 1	<u>22,871</u>
Fund Cash Balances, December 31	<u><u>\$21,475</u></u>

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

**VILLAGE OF FREEPORT
HARRISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Freeport, Harrison County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water utilities, leisure time activities and street maintenance and repair. The Village contracts with a volunteer fire department to provide fire protection.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

Fire Levy Fund - This fund receives local tax levy money to pay for fire protection within the Village.

3. Enterprise Funds

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

**VILLAGE OF FREEPORT
HARRISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant Fiduciary Fund:

Park Fund - The fund is used to account for all financial transactions of the park located in the Village.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 consistently use the encumbrance method of accounting when commitments were made.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

**VILLAGE OF FREEPORT
HARRISON COUNTY**

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

2. EQUITY IN POOLED CASH

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 170,625	\$ 127,207

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

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

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 67,424	\$ 91,513	\$ 24,089
Special Revenue	11,417	24,060	12,643
Enterprise	50,000	44,193	(5,807)
Fiduciary	0	0	0
Total	\$ 128,841	\$ 159,766	\$ 30,925

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 92,008	\$ 46,581	\$ 45,427
Special Revenue	46,560	23,332	23,228
Enterprise	69,144	46,407	22,737
Fiduciary	700	28	672
Total	\$ 208,412	\$ 116,348	\$ 92,064

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 41,489	\$ 71,716	\$ 30,227
Special Revenue	20,697	26,489	5,792
Enterprise	50,000	44,512	(5,488)
Fiduciary	500	513	13
Total	\$ 112,686	\$ 143,230	\$ 30,544

**VILLAGE OF FREEPORT
HARRISON COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 112,008	\$ 43,479	\$ 68,529
Special Revenue	46,560	22,243	24,317
Enterprise	69,144	45,908	23,236
Fiduciary	700	579	121
Total	\$ 228,412	\$ 112,209	\$ 116,203

The Village did not encumber all commitments, contrary to Section 5705.41(D), Ohio Revised Code.

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$83,075	6.04%
Total	\$83,075	

The Ohio Water Development Authority (OWDA) loan relates to a water tank project. The loan will be repaid in semi-annual installments of \$5,459 over 12 years. The loan is collateralized by future water revenue from customers in the Village.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

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

5. DEBT (Continued)

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

<u>Year Ending December 31:</u>	<u>OWDA Loan</u>
2001	\$10,919
2002	10,919
2003	10,919
2004	10,919
2005	10,919
Subsequent	<u>60,052</u>
Total	\$114,647

6. RETIREMENT SYSTEM

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries during 1999 and 10.84% during 2000. The Village has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- General liability and casualty
- Vehicles
- Public official's liability

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

Government Center
242 Federal Plaza West, Suite
302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949

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

Village of Freeport
Harrison County
P. O. Box 176
Freeport, Ohio 43973

To the 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, 2000 and 1999, and have issued our report thereon dated June 14, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-31234-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 14, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 14, 2001.

Village of Freeport
Harrison County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

June 14, 2001

VILLAGE OF FREEPORT
HARRISON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-31241-001

Ohio Revised Code § 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Council.

For 100% of tested expenditures during 2000 and 1999, the Village did not certify and neither of the above mentioned exceptions were met.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. The Village should obtain approved purchase orders which include the fiscal officer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making a commitment.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JULY 12, 2001**