



**Auditor of State
Betty Montgomery**

VILLAGE OF WEST LIBERTY
LOGAN COUNTY

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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 the Village of West Liberty, Logan County, (the "Village"), as of and for the years ended December 31, 2002 and 2001. 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.

Except as described in paragraph four, 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. 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.

During 2002 and 2001, the Village's volunteer emergency services association started billing individuals who were provided emergency ambulance services. With the exception of an amount necessary to cover the wages of certain emergency medical personnel, no other ambulance run revenue was turned into the Village. The remaining ambulance run revenue was maintained in bank accounts under the control of the volunteer emergency services association where it was commingled with donation and fund raising revenue. The Village does not include this activity in its accounting system. As a result, General Fund Charges for Services related to ambulance run revenue is understated by amounts which we cannot determine.

In our opinion, effect for the affects of such adjustments, if any, that might have been determined to be necessary had we been able to audit ambulance run charges for services, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2002 and 2001, 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 November 5, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, 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.

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

Betty Montgomery
Auditor of State

November 5, 2003

**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, 2002**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Local Taxes	\$193,788	\$8,586		\$202,374
Intergovernmental Receipts	182,875	49,890		232,765
Special Assessments	12,693			12,693
Charges for Services	119,884	32,848		152,732
Fines, Licenses, and Permits	5,901			5,901
Interest Revenue	30,610	706		31,316
Miscellaneous	10,594	43	34,093	44,730
	<u>556,345</u>	<u>92,073</u>	<u>34,093</u>	<u>682,511</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	399,543			399,543
Public Health Services		37,025	32,764	69,789
Leisure Time Activities	8,902			8,902
Community Environment	1,586			1,586
Transportation	6,176	83,983		90,159
General Government	176,707			176,707
Capital Outlay	49,805			49,805
	<u>642,719</u>	<u>121,008</u>	<u>32,764</u>	<u>796,491</u>
Total Receipts Over/(Under) Disbursements	<u>(86,374)</u>	<u>(28,935)</u>	<u>1,329</u>	<u>(113,980)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		30,000	999	30,999
Transfers-Out	39,234			39,234
	<u>39,234</u>	<u>30,000</u>	<u>999</u>	<u>(8,235)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(125,608)	1,065	2,328	(122,215)
Fund Cash Balances, January 1	<u>417,415</u>	<u>87,820</u>	<u>68,501</u>	<u>573,736</u>
Fund Cash Balances, December 31	<u><u>\$291,807</u></u>	<u><u>\$88,885</u></u>	<u><u>\$70,829</u></u>	<u><u>\$451,521</u></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, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Cash Receipts:			
Charges for Services	\$533,349		\$533,349
Earning on Investments		833	833
Miscellaneous	1,951		1,951
Total Cash Receipts	<u>535,300</u>	<u>833</u>	<u>536,133</u>
Cash Disbursements:			
Personal Services	203,214		203,214
Fringe Benefits	81,286		81,286
Contractual Services	246,830		246,830
Supplies and Materials	76,101		76,101
Capital Outlay	650		650
Miscellaneous	3,782		3,782
Total Cash Disbursements	<u>611,863</u>		<u>611,863</u>
Operating Income/(Loss)	(76,563)	833	(75,730)
Non-Operating Cash Disbursements:			
Debt Service	10,310		10,310
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(86,873)	833	(86,040)
Transfers-In	8,235		8,235
Net Receipts Over/(Under) Disbursements	(78,638)	833	(77,805)
Fund Cash Balances, January 1	<u>464,673</u>	<u>23,556</u>	<u>488,229</u>
Fund Cash Balances, December 31	<u><u>\$386,035</u></u>	<u><u>\$24,389</u></u>	<u><u>\$410,424</u></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, 2001**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Local Taxes	\$196,442	\$8,902		\$205,344
Intergovernmental Receipts	206,391	50,056		256,447
Special Assessments	37,817			37,817
Charges for Services	68,081	31,681		99,762
Fines, Licenses, and Permits	7,338			7,338
Interest Revenue	49,129	1,679		50,808
Miscellaneous	31,194	150	33,520	64,864
	<u>596,392</u>	<u>92,468</u>	<u>33,520</u>	<u>722,380</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	253,269			253,269
Public Health Services		29,834	64,151	93,985
Leisure Time Activities	34,324			34,324
Community Environment	1,501			1,501
Transportation	46,638	114,293		160,931
General Government	93,144			93,144
	<u>428,876</u>	<u>144,127</u>	<u>64,151</u>	<u>637,154</u>
Total Cash Disbursements	<u>428,876</u>	<u>144,127</u>	<u>64,151</u>	<u>637,154</u>
Total Receipts Over/(Under) Disbursements	<u>167,516</u>	<u>(51,659)</u>	<u>(30,631)</u>	<u>85,226</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		30,000	2,903	32,903
Transfers-Out	44,893			44,893
	<u>44,893</u>	<u>30,000</u>	<u>2,903</u>	<u>(11,990)</u>
Total Other Financing Receipts/(Disbursements)	<u>44,893</u>	<u>30,000</u>	<u>2,903</u>	<u>(11,990)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	122,623	(21,659)	(27,728)	73,236
Fund Cash Balances, January 1	<u>294,792</u>	<u>109,479</u>	<u>96,229</u>	<u>500,500</u>
Fund Cash Balances, December 31	<u><u>\$417,415</u></u>	<u><u>\$87,820</u></u>	<u><u>\$68,501</u></u>	<u><u>\$573,736</u></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, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Cash Receipts:			
Charges for Services	\$550,575		\$550,575
Earning on Investments		1,304	1,304
Miscellaneous	15,521		15,521
Total Cash Receipts	<u>566,096</u>	<u>1,304</u>	<u>567,400</u>
Cash Disbursements:			
Personal Services	188,865		188,865
Fringe Benefits	62,799		62,799
Contractual Services	176,846		176,846
Supplies and Materials	88,782		88,782
Capital Outlay	15,276		15,276
Miscellaneous	3,814		3,814
Total Cash Disbursements	<u>536,382</u>		<u>536,382</u>
Operating Income	29,714	1,304	31,018
Non-Operating Cash Disbursements:			
Debt Service	10,310		10,310
Excess of Receipts Over Disbursements Before Interfund Transfers	19,404	1,304	20,708
Transfers-In	11,990		11,990
Net Receipts Over Disbursements	31,394	1,304	32,698
Fund Cash Balances, January 1	433,279	22,252	455,531
Fund Cash Balances, December 31	<u>\$464,673</u>	<u>\$23,556</u>	<u>\$488,229</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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of West Liberty, Logan 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 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 Emergency Medical Services Department performs fundraisers and collects donations to purchase equipment and other necessary items for the Department. The Village does not consider money collected by these sources to be public money. Accordingly, the financial statements do not include this money.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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 are valued at cost

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cemetery Fund - This fund collects revenue from the sale of lots and opening and closing of graves for maintaining the cemetery.

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 Funds:

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

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

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

6. 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 funds:

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 maintenance in this Cemetery.

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

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 2002 and 2001 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 INVESTMENTS

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

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2002	2001
Demand deposits	\$414,693	\$614,713
Certificates of deposit	447,252	447,252
Total deposits	\$861,945	\$1,061,965

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$650,000	\$556,345	(\$93,655)
Special Revenue	143,500	122,073	(21,427)
Enterprise	740,200	543,535	(196,665)
Fiduciary	39,000	35,925	(3,075)
Total	\$1,572,700	\$1,257,878	(\$314,822)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,016,607	\$681,953	\$334,654
Special Revenue	217,025	121,008	96,017
Enterprise	1,126,715	622,173	504,542
Fiduciary	48,750	32,764	15,986
Total	\$2,409,097	\$1,457,898	\$951,199

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$455,000	\$596,392	\$141,392
Special Revenue	130,000	122,468	(7,532)
Enterprise	611,000	578,086	(32,914)
Fiduciary	89,000	37,727	(51,273)
Total	\$1,285,000	\$1,334,673	\$49,673

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$714,400	\$473,769	\$240,631
Special Revenue	219,700	144,127	75,573
Enterprise	910,615	546,692	363,923
Fiduciary	100,500	64,151	36,349
Total	\$1,945,215	\$1,228,739	\$716,476

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 payments, the first half is due January 20. The second half payment is due the following July 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, 2002 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan #1	\$152,048	0.00%
Ohio Public Works Commission Loan #2	6,000	0.00%
Total	\$158,048	

The Ohio Public Works Commission (OPWC) Loan #1 relates to a sanitary sewer rehabilitation. The loan was issued in 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 in 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.

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

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

	OPWC #1	OPWC #2
Year ending December 31:		
2003	\$9,810	\$500
2004	9,810	500
2005	9,810	500
2006	9,810	500
2007	9,810	500
Subsequent years	102,998	3,500
Total	\$152,048	\$6,000

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Fireman's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide 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 2002 and 2001, PFDPF participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. The Village has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. RELATED PARTY TRANSACTIONS

The Village's Assistant EMS Chief owns Robinaugh Ambulance Service, which provides ambulance billing services to the Village. During 2001, Robinaugh Ambulance Service received \$500 to set up the billing service for the Village. During 2002, ambulance billing fees in the amount of \$6,495 were paid to Robinaugh Ambulance Service.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL 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 Village of West Liberty, Logan County, (the "Village"), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated November 5, 2003, which was qualified for our inability to obtain sufficient evidential matter supporting ambulance run Charges for Services in the General Fund. Except as discussed in the first sentence, 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.

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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated November 5, 2003.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-005 and 2002-006.

**Internal Control Over Financial Reporting
(Continued)**

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above as items 2002-005 and 2002-006 are material weaknesses.

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



Betty Montgomery
Auditor of State

November 5, 2003

VILLAGE OF WEST LIBERTY
LOGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-001

Ohio Rev. Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is a village, only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

Ninety three out of 204 receipts for the Special Revenue Cemetery Fund were not deposited within the required 24 hour period. The amount of receipts not deposited timely sometimes involved several hundred dollars and was turned into the Clerk/Treasurer as much as one week after collection.

This situation could result in the misuse or loss of Village money.

The Village Council and/or Audit Committee should implement monitoring procedures to help assure the timely deposit of cemetery revenues. If practical, the Village may want to adopt the alternative policy allowed by this Ohio Rev. Code Section.

FINDING NUMBER 2002-002

Ohio Rev. Code Section 731.14 states all contracts made by the legislative authority of a municipal government for material and labor which exceed \$15,000 dollars are subject to competitive bidding procedures. The procedures require a contract be entered into in writing with the lowest and best bidder after advertisement of the proposal for bids for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the municipality.

The Village did not competitively bid the 2001 cemetery road paving project in the amount of \$38,995.

The Village Council and/or Audit Committee should implement internal control procedures to help ensure that it follows the Ohio Revised Code bidding requirements.

FINDING NUMBER 2002-003

Ohio Rev. Code Sections 135.21 and 5705.10 require interest earned to be credited to the general fund unless otherwise expressly required by law. During 2002 and 2001, the Village credited interest income to the Special Revenue Cemetery Fund, the Enterprise Water Fund, and the Enterprise Sewer Fund. There does not appear to be a legal requirement for these funds to received interest income. **Ohio Rev. Code Section 5705.131** requires interest earned on principal of a non-expendable trust fund, that has been established for the purpose of receiving donations or contributions that the donor or contributor requires to be maintained intact, must be credited to the non-expendable trust fund to which the principal belongs. During 2002 and 2001, the Village credited all interest earned on the Non-expendable Trust Fund to the Special Revenue Cemetery Fund.

On November 24, 2003, the Village Council passed Resolution 2003-R4 which retroactively approved the transfer of interest income earned on the 2002 and 2001 investments belonging to the Expendable Trust Fund, Enterprise Water Fund, and Enterprise Sewer Fund, from the General Fund to these respective funds. The financial statements in this report reflect the interest being earned by the General Fund and the subsequent transfers.

The Village has made the necessary adjustments to increase/decrease fund balances to properly reflect interest income earned on investments of the Non-expendable Trust Fund that was recorded in the Special Revenue Cemetery Fund. The financial statements in this report reflect these adjustments. These adjustments had the following effect upon the respective fund balances:

Special Revenue Cemetery	Non-expendable Trust
(\$833)	\$833
(\$1,304)	\$1,304

The Village Council and/or Audit Committee should implement monitoring procedures to help assure that interest revenue is only recorded in those funds allowed to receive interest revenue.

In addition, the Village Council and/or Audit Committee should monitor the financial activity of the Non-expendable Trust Fund to help assure compliance with the Last Wills and Testaments of the individuals who left the principal of the Non-expendable Trust Fund. To assist in complying with the Last Wills and Testaments, the Village must use separate cost centers or other means of separately accounting for each donor's interest revenue and expenditures.

FINDING NUMBER 2002-004

Ohio Rev. Code Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances.

The following exceptions to this basic requirement are provided by statute:

**FINDING NUMBER 2002-004
(Continued)**

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts less than \$1,000 for villages (effective April 7, 2003 this amount is \$3,000) may be paid by the fiscal officer without such certificate 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.

Seventeen percent of the transactions in 2002 and fourteen percent in 2001 were not certified by the Clerk/Treasurer prior to making orders for the expenditure of Village funds. In addition, neither of the two exceptions above were utilized for these transactions. Procedures should be implemented not only to help ensure compliance with this requirement, but to help prevent the unauthorized obligation of Village funds.

FINDING NUMBER 2002-005

Noncompliance/Material Weakness

Completeness of Financial Activity

Employees of the EMS Department maintain a volunteer fundraising account, which the Village does not consider to be public money, therefore, the Village Clerk does not account for it. During 2002, the volunteer emergency services association contracted with another ambulance company to provide billing and collection services. Revenues collected by the ambulance company were turned over to the emergency services organization fundraising account rather than to the Village. With the exception of an amount necessary to cover the wages of certain emergency medical personnel, no other ambulance run revenue collected by the ambulance emergency services organization or the ambulance company during 2002 and 2001 was turned into the Village. This remaining ambulance run revenue was maintained in bank accounts under the control of the volunteer emergency services association where it was commingled with donation and fund raising revenue. As a result, it was not possible to determine the completeness of revenue generated from ambulance runs, the completeness of expenditures made against this revenue, or beginning of the year and end of the year fund balances.

This situation not only results in a misstatement of activity on the Village's financial statements, but may also result in the misuse of money belonging to the Village.

Villages have the authority to adopt and enforce health, safety and other similar regulations, which would include the institution of charges for ambulance runs by its EMS department, or contracting for services. See Ohio Rev. Code § 737.21 and § 9.60(C). However, Revised Code § 715.03 requires the legislative authority to adopt ordinances or resolutions to exercise the powers of the Village. The Village should have taken formal action to exercise this function. Furthermore, money collected for ambulance service runs is public money and is required to be accounted for by the Village. Revised Code § 733.46 requires the Village Clerk/Treasurer to receipt and disburse public money belonging to the Village, and to record it in the Village's accounting system, subject to the Council's appropriation.

**FINDING NUMBER 2002-005
(Continued)**

To help provide accountability over revenues generated and collected by or on behalf of an entity, all public money should be deposited directly with the fiscal officer or designated depository within a reasonable time period. The Village Council should require all ambulance run revenue to be collected by the Village's Clerk/Treasurer or by a separate organization hired directly by the Village. This revenue should then be reported in the accounting records of the Village. In addition, the Village Council and/or Audit Committee should review the records currently maintained by the emergency services association to identify all revenues generated by ambulance runs, expenditures charged against this revenue, and the ending cash balance. An agreement should then be reached between the Village and emergency services organization to turn this cash balance over to the Village.

FINDING NUMBER 2002-006

Material Weakness

Accuracy of Financial Reporting

During 2002 and 2001, the Village accounting records did not accurately report the financial activity. Errors noted included the posting of tax revenues net of county auditor deductions, revenue classification errors, debt service and other expenditure classification errors, and the Village's Expendable Trust Fund was improperly classified as a Special Revenue Fund in 2001. These errors result in approximately \$1,200,000 of total audit adjustments and reclassifications.

The Village Council and/or Audit Committee should implement procedures that require a periodic review of the accounting records to help assure the completeness and accuracy of the recorded financial transactions. Evidence of the performance of these procedures should be maintained by the Village.

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30246-001	Ohio Rev. Code Section 5705.41(D), prior certification of expenditures.	No	Not Corrected. Repeated as finding 2002-004



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VILLAGE OF WEST LIBERTY

LOGAN 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 9, 2003**