



**Auditor of State
Betty Montgomery**

VILLAGE OF FREEPORT
HARRISON COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Village Council:

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

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

Betty Montgomery
Auditor of State

September 30, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

September 30, 2005

**VILLAGE OF FREEPORT
HARRISON COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$30,485	\$11,723	\$42,208
Municipal Income Tax	59,013		59,013
Intergovernmental Receipts	22,814	21,580	44,394
Fines, Licenses, and Permits	940		940
Earnings on Investments	65	186	251
Miscellaneous	81		81
	<u>113,398</u>	<u>33,489</u>	<u>146,887</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	4,871	5,025	9,896
Public Health Services	60		60
Leisure Time Activities	4,773	3,400	8,173
Basic Utility Services	201		201
Transportation	30,264	16,892	47,156
General Government	44,212	415	44,627
Capital Outlay	3,000		3,000
	<u>87,381</u>	<u>25,732</u>	<u>113,113</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>26,017</u>	<u>7,757</u>	<u>33,774</u>
Fund Cash Balances, January 1	<u>211,366</u>	<u>27,693</u>	<u>239,059</u>
Fund Cash Balances, December 31	<u>\$237,383</u>	<u>\$35,450</u>	<u>\$272,833</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, 2004**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$38,685
Total Operating Cash Receipts	38,685
Operating Cash Disbursements:	
Personal Services	16,247
Contractual Services	4,344
Supplies and Materials	5,520
Total Operating Cash Disbursements	26,111
Operating Income/(Loss)	12,574
Non-Operating Cash Receipts:	
Earnings on Investments	5
Total Non-Operating Cash Receipts	5
Non-Operating Cash Disbursements:	
Debt Service	10,936
Total Non-Operating Cash Disbursements	10,936
Net Receipts Over/(Under) Disbursements	1,643
Fund Cash Balances, January 1	2,139
Fund Cash Balances, December 31	\$3,782

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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$22,971	\$9,191	\$32,162
Municipal Income Tax	51,183		51,183
Intergovernmental Receipts	22,025	15,022	37,047
Fines, Licenses, and Permits	971		971
Earnings on Investments	99	290	389
Miscellaneous	17		17
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	97,266	24,503	121,769
Cash Disbursements:			
Current:			
Security of Persons and Property	5,409	5,376	10,785
Leisure Time Activities		215	215
Basic Utility Services	117		117
Transportation	8,148	34,856	43,004
General Government	43,467	300	43,767
Capital Outlay	9,600		9,600
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	66,741	40,747	107,488
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	30,525	(16,244)	14,281
Other Financing Receipts and (Disbursements):			
Sale of Fixed Assets	<hr/>	<hr/>	<hr/>
	6,580		6,580
Total Other Financing Receipts/(Disbursements)	<hr/>	<hr/>	<hr/>
	6,580		6,580
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	37,105	(16,244)	20,861
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	174,261	43,937	218,198
Fund Cash Balances, December 31	<hr/> \$211,366	<hr/> \$27,693	<hr/> \$239,059

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, 2003

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$41,612
Total Operating Cash Receipts	<u>41,612</u>
Operating Cash Disbursements:	
Personal Services	17,080
Contractual Services	4,183
Supplies and Materials	<u>7,469</u>
Total Operating Cash Disbursements	<u>28,732</u>
Operating Income/(Loss)	<u>12,880</u>
Non-Operating Cash Disbursements:	
Debt Service	<u>10,934</u>
Total Non-Operating Cash Disbursements	<u>10,934</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	1,946
Fund Cash Balances, January 1	<u>193</u>
Fund Cash Balances, December 31	<u><u>\$2,139</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, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Freeport, Harrison County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government services including water utilities and street repair and maintenance. The Village contracts with the Freeport Volunteer Fire Department to receive fire protection services and ambulance services.

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

B. Basis of Accounting

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

These statements adequately disclose material matters the Auditor of State prescribes.

C. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

3. Enterprise Fund

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

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

**VILLAGE OF FREEPORT
HARRISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting as required by Ohio Revised Code Section 5705.41(D).

A summary of 2004 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

F. Accumulated Leave

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

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>2004</u>	<u>2003</u>
Demand deposits	<u>\$276,615</u>	<u>\$241,198</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation; 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**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,851	\$113,398	\$47,547
Special Revenue	11,535	33,489	21,954
Enterprise	50,000	38,690	(11,310)
Total	\$127,386	\$185,577	\$58,191

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$205,666	\$87,381	\$118,285
Special Revenue	43,688	25,732	17,956
Enterprise	56,244	37,047	19,197
Total	\$305,598	\$150,160	\$155,438

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,790	\$103,846	\$36,056
Special Revenue	11,095	24,503	13,408
Enterprise	50,000	41,612	(8,388)
Total	\$128,885	\$169,961	\$41,076

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$194,582	\$66,741	\$127,841
Special Revenue	24,474	40,747	(16,273)
Enterprise	53,100	39,666	13,434
Total	\$272,156	\$147,154	\$125,002

Contrary to Ohio Revised Code Section 5705.39, the Village had fund appropriations in excess of total estimated resources available for expenditure. Also contrary to Ohio Revised Code 5705.41(B), disbursements exceeded appropriations in two funds.

4. PROPERTY TAX

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

**VILLAGE OF FREEPORT
HARRISON COUNTY**

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

4. PROPERTY TAX (Continued)

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$57,245	6.04%

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 twelve years. The loan is collateralized by future water revenue from our customers in the Village.

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

	OWDA Loan
Year ending December 31	
2005	\$10,919
2006	10,919
2007	10,919
2008	10,919
2009	10,919
2010-2011	<u>16,378</u>
Total	<u>\$70,973</u>

7. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

VILLAGE OF FREEPORT
HARRISON COUNTY

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

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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Auditor of State Betty Montgomery

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

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

To the Village Council:

We have audited the financial statements of Village of Freeport, Harrison County, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 30, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 30, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-003. In a separate letter to the Village's management dated September 30, 2005, we reported other matters related to noncompliance we deemed immaterial.

Village of Freeport
Harrison County
Independent Accountants' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards*
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We intend this report solely for the information and use of management and Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 30, 2005

**VILLAGE OF FREEPORT
HARRISON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Non Compliance Citation

Ohio Revised Code Section 5705.41 (D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. 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 stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

- 1. Then and Now Certificate** – If 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.

If the amount involved is less than \$3,000 (\$1,000 prior to April 7, 2003) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

- 2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 Village may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Village did not properly certify or record the amount against the applicable appropriation accounts for 100% of tested expenditures in 2003 or 2004. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Clerk/Treasurer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

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

FINDING NUMBER 2004-002

Non Compliance Citation

Ohio Revised Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of the total estimated resources available for expenditure from that fund as certified by the budget commission on the Amended Official Certificates of Estimated Resources. This section also states that no appropriation measure shall become effective until the county auditor files with the taxing authority a certificate that the total appropriations from each fund does not exceed the total estimated revenue.

Appropriations exceeded the amount certified as available by the budget commission in the following funds during 2004:

Fund	Estimated Resources	Appropriations	Variance
Street Construction Maintenance and Repair Fund	\$7,277	\$37,045	(\$29,768)
Water Operating Fund	\$50,939	\$56,244	\$(5,305)

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash fund balances. The Clerk/Treasurer should compare appropriations to estimated resources and if adequate resources are available for additional appropriations, the Village should request an amended certificate of estimated resources from the budget commission. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by Council to reduce the appropriations.

FINDING NUMBER 2004-003

Non Compliance Citation

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

The following funds had disbursements which exceeded appropriations during fiscal year 2004:

Village of Freeport
Harrison County
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Fund	Appropriations	Expenditures	Variance
Fire Levy Fund	\$1,755	\$2,518	(\$763)
Park Fund	\$888	\$3,400	\$(2,512)

The following funds had disbursements which exceeded appropriations during fiscal year 2003:

Fund	Appropriations	Expenditures	Variance
Street Construction, Maintenance & Repair Fund	\$13,398	\$24,952	(\$11,554)
Permissive Motor Vehicle License Tax Fund		\$9,422	\$(9,422)

The Village Clerk/Treasurer should monitor expenditures by comparing the expenditures to appropriations and should approach the Village Council to request amendments to the original appropriations as necessary to guard against overspending.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-31234-001	ORC § 5705.41 (D) Disbursements were not properly certified.	No	Cited again as Finding number 2004-001.
2002-31234-002	ORC § 5705.39 Appropriations exceeded total available resources.	No	Cited again as Finding number 2004-002.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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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
DECEMBER 6, 2005**