



Dave Yost • Auditor of State



VILLAGE OF WEST LIBERTY  
LOGAN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of West Liberty  
Logan County  
P.O. Box 187  
West Liberty, Ohio 43357

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of West Liberty, Logan County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we have obtained is sufficient and appropriate to support our adverse and qualified audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the matter described in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

***Basis for Additional Opinion Qualification***

The Village reported the Cemetery Endowment Funds, totaling \$30,103 and \$30,344 at December 31, 2014 and 2013, respectively, and representing 100 percent of the ending balance of the Permanent Fund, without obtaining the trust agreements to support this classification. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as Permanent Fund Cemetery Endowment Funds. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Additional Opinion Qualification***

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of West Liberty, Logan County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 26, 2015

**VILLAGE OF WEST LIBERTY  
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>General</b>	<b>Special Revenue</b>	<b>Permanent</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$275,620	\$8,684	\$0	\$284,304
Municipal Income Tax	290,686	0	0	290,686
Intergovernmental	76,708	76,445	0	153,153
Charges for Services	88,386	119,077	0	207,463
Fines, Licenses and Permits	3,290	0	0	3,290
Earnings on Investments	2,462	344	0	2,806
Miscellaneous	26,159	1,651	0	27,810
<b>Total Cash Receipts</b>	<b>763,311</b>	<b>206,201</b>	<b>0</b>	<b>969,512</b>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	360,892	0	0	360,892
Public Health Services	0	71,771	332	72,103
Leisure Time Activities	13,498	0	0	13,498
Community Environment	2,301	0	0	2,301
Transportation	5,550	91,225	0	96,775
General Government	170,660	115	0	170,775
Capital Outlay	31,227	101,272	0	132,499
<b>Debt Service:</b>				
Principal Retirement	21,204	929	0	22,133
Interest and Fiscal Charges	124	31	0	155
<b>Total Cash Disbursements</b>	<b>605,456</b>	<b>265,343</b>	<b>332</b>	<b>871,131</b>
Excess of Receipts Over (Under) Disbursements	157,855	(59,142)	(332)	98,381
<b>Other Financing Receipts (Disbursements):</b>				
Other Debt Proceeds	31,342	53,280	0	84,622
Transfers In	0	88	91	179
Transfers Out	(879)	0	0	(879)
Other Financing Uses	(9,449)	0	0	(9,449)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>21,014</b>	<b>53,368</b>	<b>91</b>	<b>74,473</b>
Net Change in Fund Cash Balances	178,869	(5,774)	(241)	172,854
Fund Cash Balances, January 1	330,295	328,724	30,344	689,363
<b>Fund Cash Balances, December 31:</b>				
Non-spendable	0	0	24,252	24,252
Restricted	0	322,950	5,851	328,801
Assigned	61,510	0	0	61,510
Unassigned (Deficit)	447,654	0	0	447,654
<b>Fund Cash Balances, December 31</b>	<b>\$509,164</b>	<b>\$322,950</b>	<b>\$30,103</b>	<b>\$862,217</b>

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

**VILLAGE OF WEST LIBERTY  
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGE IN FUND BALANCE (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$913,281
Miscellaneous	19,467
Total Operating Cash Receipts	932,748
<b>Operating Cash Disbursements:</b>	
Personal Services	215,257
Employee Fringe Benefits	116,270
Contractual Services	235,433
Supplies and Materials	118,946
Other	2,584
Total Operating Cash Disbursements	688,490
Operating Income (Loss)	244,258
<b>Non-Operating Receipts (Disbursements):</b>	
Capital Outlay	(77,185)
Principal Retirement	(68,149)
Interest and Other Fiscal Charges	(1,551)
Total Non-Operating Receipts (Disbursements)	(146,885)
Income (Loss) before Transfers	97,373
Transfers In	700
Net Change in Fund Cash Balance	98,073
Fund Cash Balance, January 1	734,342
Fund Cash Balance, December 31	\$832,415

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

**VILLAGE OF WEST LIBERTY  
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$307,953	\$8,867	\$0	\$0	\$316,820
Municipal Income Tax	62,049	0	0	0	62,049
Intergovernmental	60,828	77,275	24,925	0	163,028
Charges for Services	83,379	152,947	0	0	236,326
Fines, Licenses and Permits	3,909	0	0	0	3,909
Earnings on Investments	2,813	215	0	0	3,028
Miscellaneous	36,171	2,386	0	0	38,557
Total Cash Receipts	<u>557,102</u>	<u>241,690</u>	<u>24,925</u>	<u>0</u>	<u>823,717</u>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
Security of Persons and Property	317,770	0	0	0	317,770
Public Health Services	0	64,306	0	352	64,658
Leisure Time Activities	9,904	0	0	0	9,904
Community Environment	2,179	0	0	0	2,179
Transportation	0	79,764	0	0	79,764
General Government	163,618	0	0	0	163,618
Capital Outlay	0	32,935	24,925	0	57,860
<b>Debt Service:</b>					
Principal Retirement	18,583	0	0	0	18,583
Total Cash Disbursements	<u>512,054</u>	<u>177,005</u>	<u>24,925</u>	<u>352</u>	<u>714,336</u>
Excess of Receipts Over (Under) Disbursements	<u>45,048</u>	<u>64,685</u>	<u>0</u>	<u>(352)</u>	<u>109,381</u>
<b>Other Financing Receipts (Disbursements):</b>					
Transfers In	7,917	100	0	120	8,137
Transfers Out	(1,019)	(3,603)	(4,314)	0	(8,936)
Other Financing Uses	(17,298)	0	0	0	(17,298)
Total Other Financing Receipts (Disbursements)	<u>(10,400)</u>	<u>(3,503)</u>	<u>(4,314)</u>	<u>120</u>	<u>(18,097)</u>
Net Change in Fund Cash Balances	34,648	61,182	(4,314)	(232)	91,284
Fund Cash Balances, January 1	<u>295,647</u>	<u>267,542</u>	<u>4,314</u>	<u>30,576</u>	<u>598,079</u>
<b>Fund Cash Balances, December 31:</b>					
Non-spendable	0	0	0	24,252	24,252
Restricted	0	328,724	0	6,092	334,816
Assigned	0	0	0	0	0
Unassigned (Deficit)	330,295	0	0	0	330,295
Fund Cash Balances, December 31	<u>\$330,295</u>	<u>\$328,724</u>	<u>\$0</u>	<u>\$30,344</u>	<u>\$689,363</u>

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

**VILLAGE OF WEST LIBERTY  
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGE IN FUND BALANCE (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$922,005
Miscellaneous	6,770
Total Operating Cash Receipts	928,775
<b>Operating Cash Disbursements:</b>	
Personal Services	223,783
Employee Fringe Benefits	88,825
Contractual Services	216,253
Supplies and Materials	129,377
Other	3,018
Total Operating Cash Disbursements	661,256
Operating Income (Loss)	267,519
<b>Non-Operating Receipts (Disbursements):</b>	
Capital Outlay	(108,670)
Principal Retirement	(66,685)
Interest and Other Fiscal Charges	(2,197)
Other Financing Uses	(32,288)
Total Non-Operating Receipts (Disbursements)	(209,840)
Income (Loss) before Transfers	57,679
Transfers In	1,727
Transfers Out	(928)
Net Change in Fund Cash Balance	58,478
Fund Cash Balance, January 1	675,864
Fund Cash Balance, December 31	\$734,342

*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, 2014 AND 2013**

**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 West Liberty, Logan County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, garbage rubbish pick up, park operations, fire and police services, and cemetery operations. The Village appropriates general fund money to support a volunteer fire department and receipts the money received from the fire department contracts with other governmental entities into the general fund as well.

The Village participates in the following jointly governed organization. Note 9 to the financial statements provides additional information for this entity.

Jointly Governed Organizations:  
*Macochee Joint Ambulance District*

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The Village maintains deposit accounts and certificates of deposits. The Village has no investments.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF WEST LIBERTY  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Brown Expendable Fund** – This 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 Fairview Cemetery and for the maintenance of this cemetery.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following capital project fund:

**OPWC Columbus Street Project** – This fund receives grant and loan proceeds from Ohio Public Works Commission, Issue II Monies. The proceeds are being used for road repairs and construction.

**OPWC Sewer Project** – This fund receives grant proceeds from Ohio Public Works Commission. The proceeds are being used raw sewage pumps replacement.

**4. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs cemetery endowment. The Village had the following permanent fund:

**Cemetery Endowment Fund** – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the tombstones of the deceased.

The Village has Cemetery Endowment Funds and trust agreements were not available to support the permanent fund classification.

**5. Enterprise Funds**

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 Funds:

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

**Sewer Fund** - This fund receives charges for services from residents to cover sewer service costs.

**Garbage/Rubbish Collection Fund** – This fund receives charges for the provisions of garbage and recycling services to the residents and commercial users within the Village.

VILLAGE OF WEST LIBERTY  
LOGAN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(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 Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

VILLAGE OF WEST LIBERTY  
LOGAN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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 DEPOSITS

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

	<u>2014</u>	<u>2013</u>
Demand deposits	\$1,245,380	\$974,453
Certificates of deposit	449,252	449,252
Total deposits	<u>\$1,694,632</u>	<u>\$1,423,705</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by a letter of credit.

**VILLAGE OF WEST LIBERTY  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2014 and 2013 follows:

**2014 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$792,550	\$794,653	\$2,103
Special Revenue	220,100	259,569	39,469
Enterprise	896,500	933,448	36,948
Permanent	200	91	(109)
Total	<u>\$1,909,350</u>	<u>\$1,987,761</u>	<u>\$78,411</u>

**2014 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$700,750	\$615,784	\$84,966
Special Revenue	303,900	265,343	38,557
Enterprise	1,016,200	835,375	180,825
Permanent	500	332	168
Total	<u>\$2,021,350</u>	<u>\$1,716,834</u>	<u>\$304,516</u>

**2013 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$522,250	\$565,019	\$42,769
Special Revenue	208,050	241,790	33,740
Capital Projects	24,925	24,925	0
Enterprise	922,000	930,502	8,502
Permanent	200	120	(80)
Total	<u>\$1,677,425</u>	<u>\$1,762,356</u>	<u>\$84,931</u>

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$637,100	\$530,371	\$106,729
Special Revenue	259,214	180,608	78,606
Capital Projects	29,239	29,239	0
Enterprise	1,006,350	872,024	134,326
Permanent	500	352	148
Total	<u>\$1,932,403</u>	<u>\$1,612,594</u>	<u>\$319,809</u>

**4. PROPERTY Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**VILLAGE OF WEST LIBERTY  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 percent with a 0.5 percent credit 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. This income tax started in July 2013.

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, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2005 Ohio Department of Commerce - Fire Department Loan	\$4,150	0%
2011 People's Savings & Loan - Water Tower	73,547	5%
1998 OPWC CM14A	29,430	0%
2003 OPWC CM10F	284,270	0%
2008 OPWC CT28L	88,010	0.01%
2011 OPWC CT52N	52,551	0%
2014 People's Savings & Loan - Cruiser	28,721	2.5%
2014 People's Savings & Loan - Truck	52,336	3%
Total	<u>\$613,015</u>	

The Small Government Fire Department Services Revolving Loan Program note is for the Pierce Commercial Contender Pumper. The loan was issued in 2005 at a 0% interest rate. The Ohio Department of Commerce, Division of State Fire Marshall approved a \$166,000 loan to the Village. Quarterly installments of \$4,150 are required for ten years.

The People's Savings and Loan bank loaned the Village \$100,075 to paint and repair the elevated water tank. This loan was issued during 2011 at a 5% interest rate and is paid monthly in the amount of \$1,068 for ten years.

The Ally Bank loaned the Village \$29,849 for a Water/Sewer Department truck, paying the dealer directly in 2012. The Village will make three yearly payments of \$10,567.16 plus interest. The loan was paid off completely in fiscal year 2014.

The Ohio Public Works Commission (OPWC) loan CM14A relates to a sanitary sewer system rehabilitation project. 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 Ohio Public Works Commission (OPWC) loan CM631 relates to a sludge management project undertaken by the Village. The loan was issued in 1994 at a 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 loan was paid off completely in fiscal year 2014.

The Ohio Public Works Commission (OPWC) loan CM10F relates to a sanitary sewer rehabilitation project. The loan was issued in 2003 at a 0% interest rate. The OPWC approved a \$598,500 loan to the Village for this project. Semi-annual installments of \$14,962 are required over a twenty year period.

**VILLAGE OF WEST LIBERTY  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. DEBT (Continued)**

The Ohio Public Works Commission (OPWC) loan CT28L relates to a headworks improvement project for the waste water treatment plant. The \$114,540 loan was approved in 2008 with a 0.01% interest rate; however, the Village did not draw on the loan until 2009. The OPWC approved a \$598,500 loan to the Village for this project. Semi-annual installments of \$3,167 are required over a twenty year period.

The Ohio Public Works Commission (OPWC) loan CT52N relates to the Columbus Street project, phase I. The Issue II monies loan portion was approved in 2011 in the amount of \$59,492 at 0% interest. Semi-annual installments of \$992 are required over a thirty year period.

The People's Savings and Loan bank loaned the Village \$31,342 for a police cruiser, paying the dealer directly. The loan was issued in 2014 at a 2.5% interest rate and is paid monthly in the amount of \$910 until maturity in 2017.

The People's Savings and Loan bank loaned the Village \$53,280 for a street department truck, paying the dealer directly. The loan was issued in 2014 at a 3% interest rate and is paid monthly in the amount of \$960 until maturity in 2019.

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

<b>Year ending December 31:</b>	<b>Water Tower</b>	<b>CT28L</b>	<b>CM14A</b>	<b>CM10F</b>	<b>CT52N</b>
2015	\$12,816	\$6,334	\$9,810	\$29,924	\$1,982
2016	12,816	6,334	9,810	29,924	1,982
2017	12,816	6,334	9,810	29,924	1,982
2018	12,816	6,334		29,924	1,982
2019	12,816	6,334		29,924	1,982
2020-2024	21,231	31,670		134,650	9,910
2025-2029		31,670			9,910
2030-2034					9,910
2035-2039					9,910
2040-2044					3,001
Total	<u>\$85,311</u>	<u>\$95,010</u>	<u>\$29,430</u>	<u>\$284,270</u>	<u>\$52,551</u>

<b>Year ending December 31:</b>	<b>ODC Fire</b>	<b>Cruiser</b>	<b>Truck</b>
2015	\$4,150	\$10,920	\$11,520
2016		10,920	11,520
2017		7,996	11,520
2018			11,520
2019			10,562
2020-2024			
2025-2029			
2030-2034			
2035-2039			
2040-2044			
Total	<u>\$4,150</u>	<u>\$29,836</u>	<u>\$56,642</u>

**VILLAGE OF WEST LIBERTY  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. RETIREMENT SYSTEMS**

The Village's full-time law enforcement officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. From January 1, 2013, through June 30, 2013, OP&F participants contributed 10% of their annual covered salary. From July 1, 2013, through June 30, 2014, OP&F participants contributed 10.75% of their annual covered salary. From July 1, 2014, through December 31, 2014, OP&F participants contributed 11.5% of their annual covered salary. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of covered payroll. The Village has paid all contributions required through December 31, 2014.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**9. JOINTLY GOVERNED ORGANIZATION**

A four member Board of Trustees governs the Macochee Joint Ambulance District. Each political subdivision within the District appoints one member. Those subdivisions are Village of West Liberty, Monroe Township, Liberty Township and Union Township. The District provides emergency services within the District and by contract to areas outside the District. Property taxes assessed to Village residents are allocated to the District.

The Village leases property to the District, which serves as the District squad house and headquarters. The District pays \$1 in rent and is obligated for utilities, real estate taxes/assessments, maintenance, improvement, repairs, and insurance.

**10. RELATED PARTY TRANSACTIONS**

A Village Council member owns Liberty Oil and Gas, which provides gasoline and vehicle services to the Village. During 2014 and 2013, the amount paid to Liberty Oil and Gas was \$13,843 and \$14,351, respectively.

**11. SUBSEQUENT EVENT**

The police cruiser purchased in 2014 was involved in an accident after one month from purchase. After the cruiser was repaired, it was involved in another accident in which it was deemed totaled. The original loan was paid off using the new loan proceeds in March 2015 from the replacement cruiser loan.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of West Liberty, Logan County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated August 26, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We have qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts reported as Permanent Fund Cemetery Endowment Funds.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 and 2014-002 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

***Village's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 26, 2015

**VILLAGE OF WEST LIBERTY  
LOGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Noncompliance and Material Weakness**

**Accuracy and Completeness of Financial Activity**

**Ohio Rev. Code § 733.28** states, in part, that the Village Clerk/ Clerk-Treasurer shall keep the books of the Village and exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and the income derived there from, and of all taxes and assessments. **Ohio Admin. Code § 117-2-02(A)**, states, in part, that all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, and report the transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements, and prepare financial statements.

Additionally, Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduced five fund balance classifications and clarified the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned and unassigned. In addition, GASB 54 paragraph 16 states that when an appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned.

The Village's financial reports for 2014 and 2013 contained errors which resulted in reclassifications and adjustments to correctly report the financial activity during the period as follows:

- General fund homestead/rollback was classified as property and other local taxes rather than intergovernmental receipts (\$34,529 in 2014).
- Subsequent year excess of appropriations over estimated receipts was not correctly classified as General Fund assigned fund balance (\$61,510 in 2014).
- Brown expendable special revenue fund rental receipts were classified as miscellaneous receipts rather than charges for services receipts (\$42,086 in 2013).
- OPWC sewer project capital projects fund on-behalf receipts were posted as a transfers in rather than intergovernmental receipts (\$24,925 in 2013).
- General fund principal portion of debt payment was classified as interest and fiscal charges rather than principal retirement (\$1,983 in 2013).
- Enterprise Fund interest portion of debt payment was classified as principal retirement rather than interest and fiscal charges (\$1,551 in 2014 and \$2,197 in 2013).
- Enterprise Fund expenditure was posted as a principal retirement expenditure rather than a capital outlay expenditure (\$7,831 in 2013).
- Enterprise Fund utilities receipts were posted as other debt proceeds rather than charges for services (\$10,000 in 2013).

Additionally, during 2013, various beginning fund balance adjustments were improperly made in the accounting system which included prior year audit adjustments and approved transfers by Council. Audit adjustments were made to properly report fund balances and transfers as follows:

**FINDING NUMBER 2014-001  
(Continued)**

- \$3,603 as a transfer in to the general fund and a transfer out of the EMS operating fund
- \$4,314 as a transfer in to the general fund and a transfer out of the OPWC Columbus street project fund
- \$8,852 general fund balance reduction
- \$4,239 special revenue balance increase
- \$4,314 capital projects balance reduction
- \$7 enterprise balance reduction

In addition, the Village entered into two separate loans from The Peoples Savings and Loan Company in August 2014; however, the proceeds and expenditures by the bank were not included on the statements. Debt payments also were not reported correctly. Audit adjustments were made as follows:

- General Fund
  - Increased debt proceeds \$31,342
  - Increased capital outlay \$31,227
  - Increased general government expenditures \$115
  - Reclassified \$2,621 from security of persons and property to principal payments
  - Reclassified \$124 from security of persons and property to interest and fiscal charges
- Street, Construction, Maintenance, and Repair Special Revenue Fund
  - Increased debt proceeds \$53,280
  - Increased capital outlay \$53,165
  - Increased general government expenditures \$115
  - Reclassified \$31 from principal payments to interest and fiscal charges

The following reclassifications were inconsequential to the overall financial statements of the Village and were not posted to the statements:

- General fund state fire marshal intergovernmental receipt was posted as a miscellaneous receipt (\$2,858 in 2014 and \$6,523 in 2013).
- General fund municipal income tax was posted at net instead of getting posted at gross with the fees posted as expenditures (Municipal income tax needed increased and general government expenditures needed decreased by \$12,816 in 2014 and \$3,265 in 2013).
- General fund real estate assessment distribution was posted as property and other local taxes rather than intergovernmental receipts (\$2,877 in 2014).
- General fund homestead/rollback was classified as property and other local taxes rather than intergovernmental receipts (\$17,151 in 2013).

The failure to correctly classify financial activity in the accounting records and financial statements may impact the user's understanding of the financial operations, the Village's ability to make sound financial decisions, the Village's ability to comply with budgetary law, and may result in material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner. The Village should have procedures in place to help assure the accurate and complete recording of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

**Officials' Response:**

These adjustments will be corrected and may already be corrected in the future.

**FINDING NUMBER 2014-002**

**Material Weakness**

**Documentation for Permanent Funds**

The Village should maintain original trust agreements to help assure accountability for permanent funds and the correct classification for financial reporting. By maintaining these agreements, the Village would be able to identify whether or not there is principal that must be maintained in perpetuity and whether or not the trust is to benefit the entity or other organizations, governments, or individuals.

The Village presented Cemetery Endowment Funds as Permanent Funds without basing this decision on the original trust agreements. The Endowment Funds represented 100% of the Permanent Funds, totaling \$30,103 and \$30,344 at December 31, 2014 and 2013, respectively. Without the original trust agreements it is not possible to determine whether the Cemetery Endowment Funds should be presented as Permanent Funds (benefit to the Village) or Private Purpose Trust Funds (benefit to other organizations, governments, or individuals). In addition, the lack of trust agreements may be an indication these funds can be completely spent which would result in the funds being classified as Special Revenue Funds. As a result, it could not be determined if the financial statements were accurately stated.

The Village should obtain copies of the documentation establishing these trust funds to identify the original principal and to determine the purpose of each Trust. The Village should consult Legal Counsel for advice if documentation cannot be located to support the existence of a trust agreement, whether expendable or nonexpendable. In addition, the Village should review accounting literature to assist in the correct classification of these funds.

**Officials' Response:**

I am working on finding will/testaments for these CD's that have been with the Village for years – some have gone back to 1940's. We are talking with legal counsel also.

**VILLAGE OF WEST LIBERTY  
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-01	Noncompliance/Material Weakness: Separate FEMA fund	Yes	
2012-02	Noncompliance: Ohio Revised Code Section 5705.41(D) failure to prior certify	No	Repeated in Management Letter
2012-03	Noncompliance: Ohio Revised Code Section 5705.09 establishment of new funds	Yes	
2012-04	Noncompliance: Payment of vacation leave at retirement	Yes	
2012-05	Material Weakness: Financial Reporting	No	Repeated as Finding 2014-001.
2012-06	Material Weakness: Separate fund and on-behalf monies for Issue II	Yes	



# Dave Yost • Auditor of State

**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  
SEPTEMBER 22, 2015**