



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF LIBERTY CENTER
HENRY COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Liberty Center
Henry County
P.O. Box 92
Liberty Center, Ohio 43532-0092

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Liberty Center, Henry County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

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 such 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 obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 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.

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 significance of the matter discussed 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, 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Liberty Center, Henry County, Ohio, as of December 31, 2018 and 2017, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

April 11, 2019

Village of Liberty Center, Ohio
Henry County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$32,752			\$32,752
Municipal Income Tax	221,268		\$55,317	276,585
Intergovernmental	27,368	\$73,852	42,598	143,818
Charges for Services	5,902	4,550		10,452
Fines, Licenses and Permits	11,391			11,391
Earnings on Investments	5,293	340		5,633
Miscellaneous	10,147	1,030	190	11,367
<i>Total Cash Receipts</i>	<u>314,121</u>	<u>79,772</u>	<u>98,105</u>	<u>491,998</u>
Cash Disbursements				
Current:				
Security of Persons and Property	55,914			55,914
Public Health Services	13,400			13,400
Leisure Time Activities	26,010			26,010
Community Environment	8,282			8,282
Basic Utility Services	15,436			15,436
Transportation	26,700	54,845		81,545
General Government	120,786	19,165	9,441	149,392
Capital Outlay	24,850		86,943	111,793
Debt Service:				
Principal Retirement			5,027	5,027
<i>Total Cash Disbursements</i>	<u>291,378</u>	<u>74,010</u>	<u>101,411</u>	<u>466,799</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>22,743</u>	<u>5,762</u>	<u>(3,306)</u>	<u>25,199</u>
Other Financing Receipts (Disbursements)				
Transfers In		12,000		12,000
Transfers Out	(7,405)			(7,405)
Other Financing Uses	(1,028)			(1,028)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(8,433)</u>	<u>12,000</u>		<u>3,567</u>
<i>Net Change in Fund Cash Balances</i>	14,310	17,762	(3,306)	28,766
<i>Fund Cash Balances, January 1</i>	<u>191,689</u>	<u>42,304</u>	<u>128,670</u>	<u>362,663</u>
Fund Cash Balances, December 31				
Restricted		39,664		39,664
Committed		20,402	125,364	145,766
Assigned	102,387			102,387
Unassigned	103,612			103,612
<i>Fund Cash Balances, December 31</i>	<u>\$205,999</u>	<u>\$60,066</u>	<u>\$125,364</u>	<u>\$391,429</u>

See accompanying notes to the basic financial statements

Village of Liberty Center, Ohio
Henry County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2018

	Proprietary	Fiduciary	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$877,959		\$877,959
Miscellaneous	4,094		4,094
<i>Total Operating Cash Receipts</i>	<u>882,053</u>		<u>882,053</u>
Operating Cash Disbursements			
Personal Services	189,999		189,999
Employee Fringe Benefits	79,239		79,239
Contractual Services	54,809	\$2,667	57,476
Supplies and Materials	159,262		159,262
Other	311,482		311,482
<i>Total Operating Cash Disbursements</i>	<u>794,791</u>	<u>2,667</u>	<u>797,458</u>
<i>Operating Income (Loss)</i>	<u>87,262</u>	<u>(2,667)</u>	<u>84,595</u>
Non-Operating Receipts (Disbursements)			
Property and Other Local Taxes		2,911	2,911
Special Assessments	17,829		17,829
Miscellaneous Receipts	6,936		6,936
Capital Outlay	(57,987)		(57,987)
Principal Retirement	(19,102)		(19,102)
Interest and Other Fiscal Charges	(7,473)	(244)	(7,717)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(59,797)</u>	<u>\$2,667</u>	<u>(57,130)</u>
<i>Income before Transfers</i>	27,465		27,465
Transfers In	28,997		28,997
Transfers Out	(33,592)		(33,592)
<i>Net Change in Fund Cash Balances</i>	22,870		22,870
<i>Fund Cash Balances, January 1</i>	<u>783,580</u>		<u>783,580</u>
<i>Fund Cash Balances, December 31</i>	<u>\$806,450</u>		<u>\$806,450</u>

See accompanying notes to the basic financial statements

Village of Liberty Center, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Liberty Center (the Village), Henry County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water, storm sewer, sewer utilities, park operations, and maintenance of roads and sidewalks. The Village contracts with the Henry County Sheriff's department to provide security of persons and property

Jointly Governed Organization and Public Entity Risk Pool

The Village participates in a jointly governed organization and a public entity risk pool. Notes 11 and 7 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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 significant Capital Project Fund:

Capital Improvement Funds This fund receives income tax proceeds. This fund is being used for any permanent improvements that are made to any properties, roads and assets with a life span of over five years.

Village of Liberty Center, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. This fund receives charges for services from residents to cover water service costs.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. This fund receives charges for services from residents to cover sanitary sewer costs.

Fiduciary Funds Fiduciary funds include agency funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the JEDD.

Basis of Accounting

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.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2018 budgetary activity appears in Note 4.

Village of Liberty Center, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values Certificates of deposits at cost.

Capital Assets

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

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.

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:

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

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.

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.

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.

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.

Village of Liberty Center, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

Note 3 - Compliance

Contrary to Ohio Rev. Code § 5705.10 (D) and Ohio Rev. Code § 5705.10 (I), the Village posted receipt and disbursement activity from the Joint Economic Development District to improper funds.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$294,600	\$314,121	\$19,521
Special Revenue	96,915	91,772	(5,143)
Capital Projects	84,000	98,105	14,105
Enterprise	1,057,651	935,815	(121,836)
Total	\$1,533,166	\$1,439,813	(\$93,353)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$408,698	\$312,648	\$96,050
Special Revenue	115,073	74,479	40,594
Capital Projects	198,177	101,411	96,766
Enterprise	1,524,550	982,882	541,668
Total	\$2,246,497	\$1,471,420	\$775,077

Note 5 – 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:

Village of Liberty Center, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2018

	<u>2018</u>
Demand deposits	\$655,379
Certificates of deposit	526,000
Other time deposits (savings and NOW accounts)	16,500
Total deposits	<u>\$1,197,879</u>

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Public utilities are also taxed on personal and real property located within the Village.

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. The Village offers a tax credit of 50% for monies paid to other municipalities.

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.

Note 7 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Village of Liberty Center, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2018

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017 (the latest information available).

Assets	\$ 14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 8 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Village of Liberty Center, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
OPWC Loan-E. Maple St Phase 1	\$12,158	0%
OPWC Loan-E. Maple St Phase 2	4,874	0%
OPWC Loan- Oxidation Ditch- Phase 1	34,688	0%
OPWC Loan- Oxidation Ditch- Phase 2	95,945	0%
Henry County Bank- Oxidation Ditch- Phase 1	9,301	3.8%
Ohio Water Development Authority Loan	355,423	1.94%
Total	\$512,389	

The Ohio Public Works Commission (OPWC) Loan for Phase 1 of Maple Street was issued in the fiscal year 2001 and relates to the East Maple Street improvements. The loan was issued for 81,053 at 0% interest rate. Payments will be paid in semi-annual installments over 20 years.

The Ohio Public Works Commission (OPWC) Loan for Phase 2 of Maple Street was issued in the fiscal year 2003 and relates to the West Maple Street improvements. The loan was issued for \$19,497 at a 0% interest rate. Payments will be paid in semi-annual installments over 20 years.

The Ohio Public Works Commission (OPWC) Loan for Phase 1 of the Wastewater Treatment Plant Oxidation Ditch Repairs was issued in fiscal year 2011 and relates to the repairs made on the wastewater treatment plant oxidation ditch. The loan was for \$43,361 and will be made in semi-annual installments over 30 years.

The Ohio Public Works Commission (OPWC) Loan for Phase 2 of the Wastewater Treatment Plant Oxidation Ditch Repairs was issued in fiscal year 2014 and relates to the repairs made on the wastewater treatment plant oxidation ditch. The loan was for \$104,667 and will be made in semi-annual installments over 30 years.

The Henry County Bank loan for 425,310 was obtained in 2012 at a 3.8% interest rate. The Village obtained the loan to pay for its portion of the Wastewater Treatment Plant Oxidation Ditch repairs. Loan payments will be made in semi-annual installments over 10 years.

The Ohio Water Development Authority (OWDA) Loan 6351 was issued in 2013 and relates to treatment improvements for TTH removal at the booster station. As of December 31, 2018 the Village has borrowed \$421,383. The loan was issued with an interest rate of 1.94% payable in semi-annual installments over 30 years. The Village started making loan payments in 2013 on the loan amount borrowed to date. The principal and interest amounts reported below represent principal and outstanding interest to date.

Village of Liberty Center, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Amortization

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

Year Ending December 31:	OPWC Loans	OWDA Loan	Henry County Bank
2019	\$9,962	\$18,594	\$3,047
2020	9,962	18,594	3,047
2021	9,962	18,594	3,047
2022	5,909	18,594	760
2023	5,909	18,594	
2024-2028	24,671	92,970	
2029-2033	24,671	92,970	
2034-2038	24,671	92,970	
2039-2043	24,671	83,673	
2044-2046	7,277		
Total	\$147,665	\$455,553	\$9,901

Note 11 – Jointly Governed Organizations

The Village entered into a Joint Economic Development District (JEDD) with Liberty Township for the purpose of developing the U.S. 24 interchange at St. Rt. 109.

Village of Liberty Center, Ohio
Henry County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$30,333			\$30,333
Municipal Income Tax	249,735		\$62,434	312,169
Intergovernmental	26,571	\$58,260	4,287	89,118
Charges for Services	7,642	700		8,342
Fines, Licenses and Permits	10,538			10,538
Earnings on Investments	3,620	215		3,835
Miscellaneous	10,571	1,180	226	11,977
<i>Total Cash Receipts</i>	<u>339,010</u>	<u>60,355</u>	<u>66,947</u>	<u>466,312</u>
Cash Disbursements				
Current:				
Security of Persons and Property	55,278			55,278
Public Health Services	13,306			13,306
Leisure Time Activities	16,019			16,019
Community Environment	5,343			5,343
Basic Utility Services	22,890			22,890
Transportation	11,405	55,120		66,525
General Government	146,593	12,799	4,109	163,501
Capital Outlay	2,263		60,065	62,328
Debt Service:				
Principal Retirement			5,028	5,028
<i>Total Cash Disbursements</i>	<u>273,097</u>	<u>67,919</u>	<u>69,202</u>	<u>410,218</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>65,913</u>	<u>(7,564)</u>	<u>(2,255)</u>	<u>56,094</u>
Other Financing Receipts (Disbursements)				
Transfers In		12,569		12,569
Transfers Out	(7,525)			(7,525)
Other Financing Uses	(884)			(884)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(8,409)</u>	<u>12,569</u>		<u>4,160</u>
<i>Net Change in Fund Cash Balances</i>	57,504	5,005	(2,255)	60,254
<i>Fund Cash Balances, January 1</i>	<u>134,185</u>	<u>37,299</u>	<u>130,925</u>	<u>302,409</u>
Fund Cash Balances, December 31				
Restricted		33,902		33,902
Committed		8,402	128,670	137,072
Assigned	123,896			123,896
Unassigned	67,793			67,793
<i>Fund Cash Balances, December 31</i>	<u>\$191,689</u>	<u>\$42,304</u>	<u>\$128,670</u>	<u>\$362,663</u>

See accompanying notes to the basic financial statements

Village of Liberty Center, Ohio
Henry County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary	Fiduciary	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$824,564		\$824,564
Miscellaneous	7,438		7,438
<i>Total Operating Cash Receipts</i>	<u>832,002</u>		<u>832,002</u>
Operating Cash Disbursements			
Personal Services	174,540		174,540
Employee Fringe Benefits	80,533		80,533
Contractual Services	56,315	\$1,588	57,903
Supplies and Materials	107,530		107,530
Other	276,134		276,134
<i>Total Operating Cash Disbursements</i>	<u>695,052</u>	<u>1,588</u>	<u>696,640</u>
<i>Operating Income (Loss)</i>	<u>136,950</u>	<u>(1,588)</u>	<u>135,362</u>
Non-Operating Receipts (Disbursements)			
Property and Other Local Taxes		1,693	1,693
Special Assessments	17,635		17,635
Miscellaneous Receipts	2,798		2,798
Capital Outlay	(1,718)		(1,718)
Principal Retirement	(13,689)		(13,689)
Interest and Other Fiscal Charges	(5,146)	(105)	(5,251)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(120)</u>	<u>\$1,588</u>	<u>1,468</u>
<i>Income before Transfers</i>	136,830		136,830
Transfers In	27,643		27,643
Transfers Out	(32,687)		(32,687)
<i>Net Change in Fund Cash Balances</i>	131,786		131,786
<i>Fund Cash Balances, January 1</i>	<u>651,794</u>		<u>651,794</u>
<i>Fund Cash Balances, December 31</i>	<u>\$783,580</u>		<u>\$783,580</u>

See accompanying notes to the basic financial statements

Village of Liberty Center, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Liberty Center (the Village), Henry County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water, storm sewer, sewer utilities, park operations, and maintenance of roads and sidewalks. The Village contracts with the Henry County Sheriff's department to provide security of persons and property

Jointly Governed Organization and Public Entity Risk Pool

The Village participates in a jointly governed organization and a public entity risk pool. Notes 11 and 7 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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 significant Capital Project Fund:

Capital Improvement Funds This fund receives income tax proceeds. This fund is being used for any permanent improvements that are made to any properties, roads and assets with a life span of over five years.

Village of Liberty Center, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. This fund receives charges for services from residents to cover water service costs.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. This fund receives charges for services from residents to cover sanitary sewer costs.

Fiduciary Funds Fiduciary funds include agency funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the JEDD described in Note 11.

Basis of Accounting

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.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2017 budgetary activity appears in Note 4.

Village of Liberty Center, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values Certificates of deposits at cost.

Capital Assets

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

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.

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:

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

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.

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.

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.

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.

Village of Liberty Center, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

Note 3 - Compliance

Contrary to Ohio Rev. Code § 5705.10 (D) and Ohio Rev. Code § 5705.10 (I), the Village posted receipt and disbursement activity from the Joint Economic Development District to improper funds.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$294,600	\$339,010	\$44,410
Special Revenue	85,350	72,924	(12,426)
Capital Projects	84,000	66,947	(17,053)
Enterprise	1,057,651	880,078	(177,573)
Total	\$1,521,601	\$1,358,959	(\$162,642)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$391,673	\$291,304	\$100,369
Special Revenue	102,190	68,527	33,663
Capital Projects	113,349	70,079	43,270
Enterprise	1,472,816	795,532	677,284
Total	\$2,080,028	\$1,225,442	\$854,586

Note 5 – 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:

Village of Liberty Center, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2017

	<u>2018</u>
Demand deposits	\$603,757
Certificates of deposit	526,000
Other time deposits (savings and NOW accounts)	<u>16,486</u>
Total deposits	<u><u>\$1,146,243</u></u>

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Public utilities are also taxed on personal and real property located within the Village.

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. The Village offers a tax credit of 50% for monies paid to other municipalities.

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.

Note 7 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Village of Liberty Center, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2017

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$ 14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 8 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2017.

Village of Liberty Center, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OPWC Loan-E. Maple St Phase 1	\$16,211	0%
OPWC Loan-E. Maple St Phase 2	5,849	0%
OPWC Loan- Oxidation Ditch- Phase 1	36,134	0%
OPWC Loan- Oxidation Ditch- Phase 2	99,434	0%
Henry County Bank- Oxidation Ditch- Phase 1	11,940	3.8%
Ohio Water Development Authority Loan	366,954	1.94%
Total	\$536,522	

The Ohio Public Works Commission (OPWC) Loan for Phase 1 of Maple Street was issued in the fiscal year 2001 and relates to the East Maple Street improvements. The loan was issued for 81,053 at 0% interest rate. Payments will be paid in semi-annual installments over 20 years.

The Ohio Public Works Commission (OPWC) Loan for Phase 2 of Maple Street was issued in the fiscal year 2003 and relates to the West Maple Street improvements. The loan was issued for \$19,497 at a 0% interest rate. Payments will be paid in semi-annual installments over 20 years.

The Ohio Public Works Commission (OPWC) Loan for Phase 1 of the Wastewater Treatment Plant Oxidation Ditch Repairs was issued in fiscal year 2011 and relates to the repairs made on the wastewater treatment plant oxidation ditch. The loan was for \$43,361 and will be made in semi-annual installments over 30 years.

The Ohio Public Works Commission (OPWC) Loan for Phase 2 of the Wastewater Treatment Plant Oxidation Ditch Repairs was issued in fiscal year 2014 and relates to the repairs made on the wastewater treatment plant oxidation ditch. The loan was for \$104,667 and will be made in semi-annual installments over 30 years.

The Henry County Bank loan for 425,310 was obtained in 2012 at a 3.8% interest rate. The Village obtained the loan to pay for its portion of the Wastewater Treatment Plant Oxidation Ditch repairs. Loan payments will be made in semi-annual installments over 10 years.

The Ohio Water Development Authority (OWDA) Loan 6351 was issued in 2013 and relates to treatment improvements for TTH removal at the booster station. As of December 31, 2018 the Village has borrowed \$421,383. The loan was issued with an interest rate of 1.94% payable in semi-annual installments over 30 years. The Village started making loan payments in 2013 on the loan amount borrowed to date. The principal and interest amounts reported below represent principal and outstanding interest to date.

Village of Liberty Center, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Amortization

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

Year Ending December 31:	OPWC Loans	OWDA Loan	Henry County Bank
2018	\$9,962	\$18,594	\$3,047
2019	9,962	18,594	3,047
2020	9,962	18,594	3,047
2021	9,962	18,594	3,047
2022	5,909	18,594	760
2023-2027	25,646	92,970	
2028-2032	24,671	92,970	
2033-2037	24,671	92,970	
2038-2042	24,671	92,970	
2043-2046	12,212	9,295	
Total	\$157,628	\$474,145	\$12,948

Note 11 – Jointly Governed Organizations

The Village entered into a Joint Economic Development District (JEDD) with Liberty Township for the purpose of developing the U.S. 24 interchange at St. Rt. 109.

OHIO AUDITOR OF STATE KEITH FABER



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

Village of Liberty Center
Henry County
P.O. Box 92
Liberty Center, Ohio 43532-0092

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 cash balances, receipts, and disbursements by fund type of the Village of Liberty Center, Henry County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated April 11, 2019 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.

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 opinions 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

Village's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

April 11, 2019

VILLAGE OF LIBERTY CENTER
HENRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

Noncompliance Citation - Material Weakness

Ohio Rev. Code § 5705.10(D) provides that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose and **Ohio Rev. Code § 5705.10(I)** provides that money paid into any fund shall be used only for the purposes for which such fund is established.

The Village has entered into a contract as fiscal agent for a Joint Economic Development District (JEDD) with the Township. The Village is responsible for collecting and distributing income tax revenues for the JEDD. During 2018 and 2017, the Village failed to segregate and report these receipts and disbursements in a separate Agency Fund. The Village reported these receipts as if they were income tax receipts and general government expenses for the Village in the General and Other Capital Projects Fund. Total receipts and disbursements were \$2,667 in 2018 and \$1,693 in 2017.

Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatements.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials' Response:

The Fiscal Officer will continue to monitor and implement changes to the financial statements.

FINDING NUMBER 2018-002

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2018:

- General Fund assigned fund balance in the amount of \$89,550 for subsequent year appropriations in excess of estimated receipts has been reclassified from unassigned in accordance with the provisions of Governmental Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179);
- General fund outstanding encumbrances in the amount of \$12,837 has been reclassified from unassigned to assigned;

We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2017:

- General Fund assigned fund balance in the amount of \$114,098 for subsequent year appropriations in excess of estimated receipts has been reclassified from unassigned in accordance with the provisions of Governmental Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179);
- General fund outstanding encumbrances in the amount of \$9,798 has been reclassified from unassigned to assigned.

These errors were not identified and corrected prior to the Village preparing its financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. The accompanying financial statements, notes to the financial statements, and, where applicable, the Village's accounting records have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted for the years ended December 31, 2018 and 2017.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate and to help identify and correct errors and omissions, the Village should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Fiscal Officer and Village Council. The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 for information on Governmental Accounting Standards Board Statement No. 54.

Officials' Response:

The Fiscal Officer will continue to monitor and implement changes to the financial statements.

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance/material weakness – Ohio Rev. Code § 5705.10 – various posting errors between funds were noted.	Not corrected and repeated as Finding 2018-001.	Recurrence happened due to inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period. Village Council will perform detailed reviews of financial information to ensure monies are properly posted.
2016-002	Material weakness due to errors in financial reporting and monitoring the financial statements, resulting in audit adjustments.	Not corrected and repeated as Finding 2018-002.	Recurrence happened due to inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period. Village Council will perform detailed reviews of financial information to ensure monies are properly posted.

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OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF LIBERTY CENTER

HENRY 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
APRIL 23, 2019**