



Dave Yost • Auditor of State



VILLAGE OF LIBERTY CENTER  
HENRY COUNTY

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# Dave Yost • Auditor of State

## 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 and related notes of the Village of Liberty Center, Henry 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 obtained is sufficient and appropriate to support our audit opinion.

***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, 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 permitted 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, 2014 and 2013, or 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 combined cash balances of the Village of Liberty Center, Henry 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 July 10, 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

July 10, 2015

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$29,281			\$29,281
Municipal Income Tax	161,938		\$40,484	202,422
Intergovernmental	31,082	\$54,279		85,361
Charges for Services	9,790	1,300		11,090
Fines, Licenses and Permits	9,605			9,605
Earnings on Investments	2,234	100		2,334
Miscellaneous	11,912	994	1,611	14,517
<i>Total Cash Receipts</i>	<u>255,842</u>	<u>56,673</u>	<u>42,095</u>	<u>354,610</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	62,116			62,116
Public Health Services	11,833			11,833
Leisure Time Activities	18,305			18,305
Community Environment	5,758			5,758
Basic Utility Services	26,541			26,541
Transportation	12,058	59,772		71,830
General Government	139,609	977	3,417	144,003
Capital Outlay	1,393		44,876	46,269
Debt Service:				
Principal Retirement			2,514	2,514
<i>Total Cash Disbursements</i>	<u>277,613</u>	<u>60,749</u>	<u>50,807</u>	<u>389,169</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(21,771)</u>	<u>(4,076)</u>	<u>(8,712)</u>	<u>(34,559)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		1,094		1,094
Transfers Out	(1,674)			(1,674)
Other Financing Uses	(360)			(360)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,034)</u>	<u>1,094</u>		<u>(940)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(23,805)</u>	<u>(2,982)</u>	<u>(8,712)</u>	<u>(35,499)</u>
<i>Fund Cash Balances, January 1</i>	<u>113,125</u>	<u>27,061</u>	<u>122,938</u>	<u>263,124</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		24,079		24,079
Committed			114,226	114,226
Assigned	8,670			
Unassigned	80,650			80,650
<i>Fund Cash Balances, December 31</i>	<u>\$89,320</u>	<u>\$24,079</u>	<u>\$114,226</u>	<u>\$227,625</u>

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

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

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

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 706,908
Miscellaneous	14,560
	721,468
<i>Total Operating Cash Receipts</i>	<i>721,468</i>
<b>Operating Cash Disbursements</b>	
Personal Services	168,956
Transportation	103,126
Contractual Services	53,867
Supplies and Materials	77,221
Capital Outlay	252,075
	655,245
<i>Total Operating Cash Disbursements</i>	<i>655,245</i>
<i>Operating Income</i>	<i>66,223</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	94,442
Special Assessments	20,591
Sale of Capital Assets	675
Other Debt Proceeds	77,182
Capital Outlay	(213,832)
Principal Retirement	(15,497)
Other Financing Uses	(9,524)
	(45,963)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(45,963)</i>
<i>Income Before Transfers</i>	<i>20,260</i>
Transfers In	20,616
Transfers Out	(20,036)
	20,840
<i>Net Change in Fund Cash Balances</i>	<i>20,840</i>
<i>Fund Cash Balances, January 1</i>	<i>468,684</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 489,524</i>

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

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$31,107			\$31,107
Municipal Income Tax	152,655		\$38,164	190,819
Intergovernmental	28,112	\$67,855		95,967
Charges for Services	12,452	2,275		14,727
Fines, Licenses and Permits	9,631			9,631
Earnings on Investments	2,748	393		3,141
Miscellaneous	9,074	600	2,703	12,377
<i>Total Cash Receipts</i>	<u>245,779</u>	<u>71,123</u>	<u>40,867</u>	<u>357,769</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	59,541			59,541
Public Health Services	12,064			12,064
Leisure Time Activities	16,322			16,322
Community Environment	7,194			7,194
Basic Utility Services	14,459			14,459
Transportation	6,644	54,952		61,596
General Government	130,734	14,198	2,487	147,419
Capital Outlay			38,324	38,324
Debt Service:				
Principal Retirement			5,028	5,028
<i>Total Cash Disbursements</i>	<u>246,958</u>	<u>69,150</u>	<u>45,839</u>	<u>361,947</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,179)</u>	<u>1,973</u>	<u>(4,972)</u>	<u>(4,178)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		4,705		4,705
Transfers Out	(5,510)			(5,510)
Other Financing Uses	(570)			(570)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(6,080)</u>	<u>4,705</u>		<u>(1,375)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(7,259)</u>	<u>6,678</u>	<u>(4,972)</u>	<u>(5,553)</u>
<i>Fund Cash Balances, January 1</i>	<u>120,384</u>	<u>20,383</u>	<u>127,910</u>	<u>268,677</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		26,661		26,661
Committed		400	122,938	123,338
Assigned	11,461			11,461
Unassigned	101,664			101,664
<i>Fund Cash Balances, December 31</i>	<u>\$113,125</u>	<u>\$27,061</u>	<u>\$122,938</u>	<u>\$263,124</u>

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

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

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

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$653,517
Miscellaneous	11,920
	665,437
<i>Total Operating Cash Receipts</i>	<i>665,437</i>
<b>Operating Cash Disbursements</b>	
Personal Services	168,052
Fringe Benefits	85,950
Contractual Services	41,075
Supplies and Materials	105,335
Other	206,190
	606,602
<i>Total Operating Cash Disbursements</i>	<i>606,602</i>
<i>Operating Income</i>	<i>58,835</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	188,500
Special Assessments	20,513
Earnings on Investments (proprietary funds only)	95
Other Debt Proceeds	289,134
Capital Outlay	(581,445)
Principal Retirement	(219,487)
Other Financing Uses	(12,979)
	(315,669)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(315,669)</i>
<i>Loss Before Transfers</i>	<i>(256,834)</i>
Transfers In	21,861
Transfers Out	(21,056)
	(256,029)
<i>Net Change in Fund Cash Balances</i>	<i>(256,029)</i>
<i>Fund Cash Balances, January 1</i>	<i>724,713</i>
<i>Fund Cash Balances, December 31</i>	<i>\$468,684</i>

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

**VILLAGE OF LIBERTY CENTER  
HENRY 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 Liberty Center, Henry County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, storm sewer, and 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.

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'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 deposit at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

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

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

**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 Fund:

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

**3. 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 Improvements Fund – This fund receives income tax proceeds. The fund is being used for any permanent improvements that are made to any properties and roads with a life span of over five years.

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

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

**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. Unencumbered appropriations lapse at year end.

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

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

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

**2. 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.

**3. 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 reappropriated.

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. Nonspendable**

The Village classifies assets as *nonspendable* 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.

**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.

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

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

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

**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 for all funds used. 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	\$191,149	\$205,808
Certificates of deposit	526,000	526,000
Total deposits	<u>\$717,149</u>	<u>\$731,808</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

Budgetary activity for the years ending December 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$260,300	\$255,842	(\$4,458)
Special Revenue	85,650	57,767	(27,883)
Capital Projects	39,600	42,095	2,495
Enterprise	1,190,625	934,974	(255,651)
Total	\$1,576,175	\$1,290,678	(\$285,497)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$325,861	\$288,317	\$37,544
Special Revenue	104,979	61,479	43,500
Capital Projects	70,810	56,095	14,715
Enterprise	1,446,805	963,057	483,748
Total	\$1,948,455	\$1,368,948	\$579,507

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$249,300	\$245,779	(\$3,521)
Special Revenue	104,330	75,828	(28,502)
Capital Projects	37,600	40,867	3,267
Enterprise	1,540,854	1,185,540	(355,314)
Total	\$1,932,084	\$1,548,014	(\$384,070)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$318,168	\$264,499	\$53,669
Special Revenue	114,523	72,373	42,150
Capital Projects	70,548	47,649	22,899
Enterprise	2,308,331	1,500,949	807,382
Total	\$2,811,570	\$1,885,470	\$926,100

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

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

**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.

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.

**5. LOCAL INCOME TAX**

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.

Employers within the Village withhold income tax on employee compensation and remit the tax to the City of Cleveland - Central Collection Agency 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>
Ohio Public Works Commission Loans	\$77,612	0%
Henry County Bank Loan	19,280	3.8%
Ohio Water Development Authority Loan	342,972	1.94%
Total	<u>\$439,864</u>	

The Ohio Public Works Commission (OPWC) Loan for Phase I of Maple Street was issued in fiscal year 2001 and relates to the Maple Street improvements. The loan was issued for \$81,053 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 II of Maple Street was issued in 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 I 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 ditches. The loan was for \$43,361 and will be made in semi-annual installments over 30 years.

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

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

**6. DEBT – (Continued)**

The Henry County Bank Loan for \$25,310 was obtained in 2012 at a 3.8% interest rate. The Village obtained the loan to pay for its portion of the Wastewater Treatment Plan Oxidation Ditch repairs. Loan payments will be made in semi-annual installments over 10 years.

Waterworks System First Mortgage Revenue Bonds were issued in 1985 and relate to a waterline project. The bonds were issued for \$525,000 at 5% interest rate. The bonds will be paid in annual installments over 37 years. The Village paid off the debt in 2013.

The Ohio Water Development Authority (OWDA) Loan 6351 was issued in 2013 and relates to treatment improvements for TTHM removal at the booster station. As of December 31, 2014, the Village has only borrowed \$366,316 of the allotted loan amount of \$465,239. 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 interest outstanding to date.

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

Year Ending December 31:	OPWC Loans	Henry County Bank Loan	OWDA Loan
2015	\$6,473	\$3,047	\$20,529
2016	6,473	3,047	20,529
2017	6,473	3,047	20,529
2018	6,473	3,047	20,529
2019	6,473	3,047	20,529
2020-2024	19,231	6,853	102,645
2025-2029	7,227		102,645
2030-2034	7,227		102,645
2035-2039	7,227		60,041
2040-2045	4,335		
Total	\$77,612	\$22,088	\$470,621

**7. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, 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, 2014.

**VILLAGE OF LIBERTY CENTER  
HENRY COUNTY**

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

**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. INTERFUND TRANSFERS**

During the year ended December 31, 2014 and 2013, the following transfers in and out occurred:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
<b>2014</b>		
General Fund		\$1,674
Special Revenue Funds:		
Street Construction and Maintenance	\$1,000	
Parks and Recreation Fund	94	
Enterprise Funds:		
Water Operating Fund		20,036
Water Meter Fund	14,400	
Water Capital Improvement Fund	5,926	
Sewer Capital Improvement Fund	290	
Totals	\$21,710	\$21,710
<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
<b>2013</b>		
General Fund		\$5,510
Special Revenue Funds:		
Street Construction and Maintenance	\$2,000	
Parks and Recreation Fund	2,705	
Enterprise Funds:		
Water Operating Fund		21,056
Water Meter Fund	8,400	
Water Capital Improvement Fund	5,205	
Water Debt Service Fund	7,854	
Sewer Capital Improvement Fund	402	
Totals	\$26,566	\$26,566

Transfers were made to move unrestricted balances from the General Fund to support programs and projects accounted for in other funds. Monies moved from Water Operating fund were made in accordance with Village ordinances allocating monies for operational needs.



# 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 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 Village of Liberty Center, Henry County, Ohio (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 July 10, 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.

### ***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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Entity'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 audit the Village's response 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 communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 10, 2015

**VILLAGE OF LIBERTY CENTER  
HENRY 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**

**Material Weakness**

**Monitoring Financial Statements**

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity.

The 2013 financial statements contained the following errors:

- Ohio Water Development (OWDA) Water Booster Station grant proceeds of \$148,500, debt (loan) proceeds of \$289,134, and Capital Outlay disbursements of \$437,634 were incorrectly posted to a Special Revenue fund instead of the Water Operating Enterprise fund.
- Bureau of Workers' Compensation (BWC) grant monies of \$40,000 were received to purchase water meters. The monies were incorrectly posted to a Special Revenue fund instead of the Water Meter Enterprise fund.

The 2014 financial statements contained the following errors:

- Ohio Water Development (OWDA) Water Booster Station debt (loan) proceeds of \$77,182 and Capital Outlay disbursements of \$77,182 were incorrectly posted to a Special Revenue fund instead of the Water Operating Enterprise fund.
- Ohio Public Works Commission (OPWC) grant proceeds were received for the Wastewater Treatment Plant Oxidation Ditch Project. The amount of \$68,346 was incorrectly posted to a Special Revenue fund instead of the Sewer Operating Enterprise fund.

The financial statements and notes to the financial statements have been adjusted to reflect corrections for these and other errors.

These errors occurred as a result of a lack of understanding of the types of monies received and proper classification per the uniform system of accounting for villages.

To ensure the Village's financial statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the financial statements to identify and correct errors and omissions.

**FINDING NUMBER 2014-002**

**Material Weakness**

**Fund Balance Classification**

Governmental Accounting Standards Board (GASB) Statement No. 54 established criteria for reporting governmental fund balances based on constraints placed upon the use of resources reported in the governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

Committed fund balances are established for specific purposes pursuant to constraints imposed by formal action of the Village Council. Council approved an income tax ordinance which allocates a portion of its income tax monies to the capital projects fund. The capital projects fund balance was classified as restricted in 2013 and 2014. An adjustment was recorded in the amount of \$122,938 in 2013 and \$114,226 in 2014 to the Capital Projects fund to reclassify the fund balance as committed.

Assigned fund balances are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General fund, assigned amounts represent intended uses established by the Village Council. In 2013 and 2014, General fund encumbrances in the amount of \$11,461 and \$8,670, respectively, were classified as unassigned instead of assigned. Adjustments were made to the General fund to properly classify encumbrances as assigned.

These errors occurred as a result of a lack of understanding of the proper classification of fund balances in accordance with GASB 54.

In order to ensure the Village's governmental fund balances are reported in accordance with GASB 54, we recommend the Village review Auditor of State Bulletin 2011-004.

**Officials' Response:**

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



# Dave Yost • Auditor of State

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  
AUGUST 4, 2015