



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF WEST LIBERTY
LOGAN COUNTY
DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of West Liberty, Logan 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 *Additional Opinion Qualification and Unmodified Opinions* paragraphs 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.

Basis for Additional Opinion Qualification

The Village reported the Cemetery Endowment Funds activity and fund cash balance of \$29,733 and \$29,916 at December 31, 2018 and 2017, respectively, in the Permanent Fund, which represents 100 percent of the activity and fund cash balance of the Permanent Fund, without maintaining the trust agreements to support this fund classification. We were unable to obtain sufficient appropriate audit evidence to support the reporting of the activity and fund cash balance as Permanent Fund Cemetery Endowment Funds. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements of the Permanent Fund, and related notes of the Village of West Liberty, Logan County 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements of the General, Special Revenue, and Enterprise Funds, and related notes of the Village of West Liberty, Logan County 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 January 23, 2020, 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

January 23, 2020

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Village of West Liberty, Ohio
Logan 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	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$268,455	\$8,730		\$277,185
Municipal Income Tax	441,740			441,740
Intergovernmental	92,134	133,282		225,416
Charges for Services	107,366	29,658		137,024
Fines, Licenses and Permits	1,863			1,863
Earnings on Investments	3,100	141		3,241
Miscellaneous	32,818	83,769		116,587
<i>Total Cash Receipts</i>	<u>947,476</u>	<u>255,580</u>		<u>1,203,056</u>
Cash Disbursements				
Current:				
Security of Persons and Property	431,980			431,980
Public Health Services		107,354	\$266	107,620
Leisure Time Activities	16,399			16,399
Community Environment	4,568			4,568
Transportation	13,850	123,503		137,353
General Government	227,187			227,187
Capital Outlay	310,188	64,225		374,413
Debt Service:				
Principal Retirement	21,734			21,734
Interest and Fiscal Charges	6,278			6,278
<i>Total Cash Disbursements</i>	<u>1,032,184</u>	<u>295,082</u>	<u>266</u>	<u>1,327,532</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(84,708)</u>	<u>(39,502)</u>	<u>(266)</u>	<u>(124,476)</u>
Other Financing Receipts (Disbursements)				
Sale of Notes	170,000			170,000
Transfers In		25,169	83	25,252
Transfers Out	(25,950)			(25,950)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>144,050</u>	<u>25,169</u>	<u>83</u>	<u>169,302</u>
<i>Net Change in Fund Cash Balances</i>	59,342	(14,333)	(183)	44,826
<i>Fund Cash Balances, January 1</i>	<u>728,235</u>	<u>234,286</u>	<u>29,916</u>	<u>992,437</u>
Fund Cash Balances, December 31				
Nonspendable			24,252	24,252
Restricted		219,953	5,481	225,434
Assigned	186,050			186,050
Unassigned	601,527			601,527
<i>Fund Cash Balances, December 31</i>	<u>\$787,577</u>	<u>\$219,953</u>	<u>\$29,733</u>	<u>\$1,037,263</u>

See accompanying notes to the basic financial statements

Village of West Liberty, Ohio
Logan County
Combined Statement of Receipts, Disbursements
and Change in Fund Balance (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2018

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$931,278
Miscellaneous	3,268
<i>Total Operating Cash Receipts</i>	<u>934,546</u>
Operating Cash Disbursements	
Personal Services	214,678
Employee Fringe Benefits	158,688
Contractual Services	213,968
Supplies and Materials	79,750
Other	3,277
<i>Total Operating Cash Disbursements</i>	<u>670,361</u>
<i>Operating Income</i>	<u>264,185</u>
Non-Operating (Disbursements)	
Capital Outlay	(31,180)
Principal Retirement	(95,764)
Interest and Other Fiscal Charges	(49,894)
<i>Total Non-Operating (Disbursements)</i>	<u>(176,838)</u>
<i>Income before Transfers</i>	87,347
Transfers In	698
<i>Net Change in Fund Cash Balance</i>	88,045
<i>Fund Cash Balance, January 1</i>	<u>986,620</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$1,074,665</u></u>

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

The Village of West Liberty (the Village), Logan 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 and sewer utilities, garbage rubbish pick up, park operations, fire and police services, and cemetery operations. The Village appropriates general fund money to support a volunteer fire department and receipts the money received from the fire department contracts with other governmental entities into the general fund as well.

The Village participates in the following jointly governed organization. Note 10 to the financial statements provides additional information for this entity.

Jointly Governed Organization:
Macochee Joint Ambulance District

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 change in fund balance (regulatory cash basis) for proprietary fund type 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 Funds:

Brown Expendable Fund This trust fund receives money from rent of land and a house given to the Village. Revenue generated is used to maintain a specified lot in Fairview Cemetery and for the maintenance of this cemetery.

Village of West Liberty, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

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

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

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

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

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

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. Appropriations lapse at year end.

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

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

Village of West Liberty, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

A summary of 2018 budgetary activity appears in Note 3.

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:

Nonspendable The Village classifies assets as *nonspendable* 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.

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.

Village of West Liberty, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 3 – 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	\$1,027,050	\$1,117,476	\$90,426
Special Revenue	137,225	280,749	143,524
Enterprise	1,047,800	935,244	(112,556)
Permanent	100	83	(17)
Total	\$2,212,175	\$2,333,552	\$121,377

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,210,400	\$1,058,134	\$152,266
Special Revenue	308,650	295,082	13,568
Enterprise	1,108,900	847,199	261,701
Permanent	500	266	234
Total	\$2,628,450	\$2,200,681	\$427,769

Note 4 – Deposits

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

	2018
Demand deposits	\$1,752,676
Certificates of deposit	359,252
Total deposits	\$2,111,928

Deposits

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

Note 5 – 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.

Village of West Liberty, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 5 – Taxes (Continued)

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 with a 0.5 percent credit on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. This income tax started in July 2013.

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

Note 6 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

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

Ohio Police and Fire Retirement System

The Village's full-time law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% percent of their wages. The Village contributed to OP&F an amount equal to 19.5% percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Village of West Liberty, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 7 – Defined Benefit Pension Plans (Continued)

Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer 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. OPERS did not contribute any of the employer contribution to fund these benefits, and OP&F contributed 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2011 People's Savings & Loan - Water Tower	\$31,846	5%
2003 OPWC CM10F	164,577	0%
2008 OPWC CT28L	65,812	0.01%
2011 OPWC CT52N	44,620	0%
2016 People's Savings & Loan - Garbage Truck	65,349	3.25%
2017 People's Savings & Loan - Police Station	278,509	3.50%
2016 OWDA Loan 7164	1,402,725	3.15%
Total	<u><u>\$2,053,438</u></u>	

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

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

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

Village of West Liberty, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 9 – Debt (Continued)

The Ohio Public Works Commission (OPWC) loan CT52N relates to the Columbus Street project, phase I. The Issue II monies loan portion was approved in 2011 in the amount of \$59,492 at 0% interest. Semi-annual installments of \$991 are required over a thirty year period.

The People’s Savings and Loan Company loaned the Village \$130,115 for a 2016 Freightliner Chasses garbage truck with rear loader, paying the dealer directly. The loan was issued in 2016 at a 3.25% interest rate and is paid monthly in the amount of \$1,735 until maturity in 2023.

The People’s Savings and Loan Company loaned the Village \$300,000 for the purchase of property located at 111 Runkle Street for a police department and for renovations. The loan was issued in 2017 at 3.5% interest rate and is paid monthly in the amount of \$2,201 until maturity in 2032.

The Ohio Water Development Authority (OWDA) loaned the village \$1,463,473 for the construction of a Water Treatment Plant. The loan was issued in 2016 at a 3.15% interest rate for 30 years and will be paid semi-annually in the amount of \$37,883 starting July 2017.

Amortization

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

Year ending December 31:	Water Tower	CT28L	CM10F	CT52N
2019	\$12,816	\$6,334	\$29,924	\$1,982
2020	12,816	6,334	29,924	1,982
2021	8,415	6,334	29,924	1,982
2022		6,334	29,924	1,982
2023		6,334	29,924	1,982
2024-2028		31,670	14,957	9,910
2029-2033		6,334		9,910
2034-2038				9,910
2039-2041				4,980
Total	<u>\$34,047</u>	<u>\$69,674</u>	<u>\$164,577</u>	<u>\$44,620</u>

Village of West Liberty, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 9 – Debt (Continued)

Year ending December 31:	Garbage Truck	OWDA 7164	Police Station
2019	\$20,820	\$75,766	\$26,412
2020	20,820	75,766	26,412
2021	20,820	75,766	26,412
2022	6,488	75,766	26,412
2023		75,766	26,412
2024-2028		378,830	132,060
2029-2033		378,830	35,251
2034-2038		378,830	
2039-2043		378,830	
2044-2046		227,269	
Total	<u>\$68,948</u>	<u>\$2,121,419</u>	<u>\$299,371</u>

Note 10 – Jointly Governed Organizations

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

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

Village of West Liberty, Ohio

Logan 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	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$250,750	\$8,729		\$259,479
Municipal Income Tax	413,906			413,906
Intergovernmental	80,233	148,897		229,130
Charges for Services	99,055	28,437		127,492
Fines, Licenses and Permits	5,307			5,307
Earnings on Investments	2,689	160		2,849
Miscellaneous	31,509	103,110		134,619
<i>Total Cash Receipts</i>	<u>883,449</u>	<u>289,333</u>		<u>1,172,782</u>
Cash Disbursements				
Current:				
Security of Persons and Property	407,640			407,640
Public Health Services		107,212	\$259	107,471
Leisure Time Activities	20,629			20,629
Community Environment	2,401			2,401
Transportation	40,374	96,888		137,262
General Government	194,268			194,268
Capital Outlay	149,500	79,837		229,337
Debt Service:				
Principal Retirement	68,517			68,517
Interest and Fiscal Charges	3,330			3,330
<i>Total Cash Disbursements</i>	<u>886,659</u>	<u>283,937</u>	<u>259</u>	<u>1,170,855</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,210)</u>	<u>5,396</u>	<u>(259)</u>	<u>1,927</u>
Other Financing Receipts (Disbursements)				
Sale of Notes	130,000			130,000
Transfers In		15,065	85	15,150
Transfers Out	(15,850)			(15,850)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>114,150</u>	<u>15,065</u>	<u>85</u>	<u>129,300</u>
<i>Net Change in Fund Cash Balances</i>	110,940	20,461	(174)	131,227
<i>Fund Cash Balances, January 1</i>	<u>617,295</u>	<u>213,825</u>	<u>30,090</u>	<u>861,210</u>
Fund Cash Balances, December 31				
Nonspendable			24,252	24,252
Restricted		234,286	5,664	239,950
Assigned	183,350			183,350
Unassigned	544,885			544,885
<i>Fund Cash Balances, December 31</i>	<u>\$728,235</u>	<u>\$234,286</u>	<u>\$29,916</u>	<u>\$992,437</u>

See accompanying notes to the basic financial statements

Village of West Liberty, Ohio
Logan County
Combined Statement of Receipts, Disbursements
and Change in Fund Balance (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2017

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$935,928
Miscellaneous	13,733
<i>Total Operating Cash Receipts</i>	<u>949,661</u>
Operating Cash Disbursements	
Personal Services	255,506
Employee Fringe Benefits	152,310
Contractual Services	232,333
Supplies and Materials	89,285
Other	4,106
<i>Total Operating Cash Disbursements</i>	<u>733,540</u>
<i>Operating Income</i>	<u>216,121</u>
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	260,298
Capital Outlay	(317,190)
Principal Retirement	(101,856)
Interest and Other Fiscal Charges	(53,612)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(212,360)</u>
<i>Income before Transfers</i>	3,761
Transfers In	700
<i>Net Change in Fund Cash Balance</i>	4,461
<i>Fund Cash Balance, January 1</i>	<u>982,159</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$986,620</u></u>

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

The Village of West Liberty (the Village), Logan 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 and sewer utilities, garbage rubbish pick up, park operations, fire and police services, and cemetery operations. The Village appropriates general fund money to support a volunteer fire department and receipts the money received from the fire department contracts with other governmental entities into the general fund as well.

The Village participates in the following jointly governed organization. Note 10 to the financial statements provides additional information for this entity.

Jointly Governed Organization:
Macochee Joint Ambulance District

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 change in fund balance (regulatory cash basis) for proprietary fund type 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 Funds:

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.

Brown Expendable Fund This trust fund receives money from rent of land and a house given to the Village. Revenue generated is used to maintain a specified lot in Fairview Cemetery and for the maintenance of this cemetery.

Village of West Liberty, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

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

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

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

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

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

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. Appropriations lapse at year end.

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

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

Village of West Liberty, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

A summary of 2017 budgetary activity appears in Note 3.

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:

Nonspendable The Village classifies assets as *nonspendable* 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.

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.

Village of West Liberty, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 3 – 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	\$875,000	\$1,013,449	\$138,449
Special Revenue	123,100	304,398	181,298
Enterprise	929,000	1,210,659	281,659
Permanent	100	85	(15)
Total	<u>\$1,927,200</u>	<u>\$2,528,591</u>	<u>\$601,391</u>

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,018,000	\$902,509	\$115,491
Special Revenue	298,100	283,937	14,163
Enterprise	1,352,650	1,206,198	146,452
Permanent	500	259	241
Total	<u>\$2,669,250</u>	<u>\$2,392,903</u>	<u>\$276,347</u>

Note 4 – Deposits

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

	2017
Demand deposits	\$1,619,805
Certificates of deposit	359,252
Total deposits	<u>\$1,979,057</u>

Deposits

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

Note 5 – 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.

Village of West Liberty, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 5 – Taxes (Continued)

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 with a 0.5 percent credit on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. This income tax started in July 2013.

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

Note 6 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

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

Ohio Police and Fire Retirement System

The Village's full-time law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% percent of their wages. The Village contributed to OP&F an amount equal to 19.5% percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Village of West Liberty, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 7 – Defined Benefit Pension Plans (Continued)

Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer 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. OPERS contributes 1 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2011 People's Savings & Loan - Water Tower	\$42,809	5%
2003 OPWC CM10F	194,501	0%
2008 OPWC CT28L	71,445	1%
2011 OPWC CT52N	46,602	0%
2016 People's Savings & Loan - Garbage Truck	83,745	3.25%
2017 People's Savings & Loan - Police Station	128,260	3.50%
2016 OWDA Loan 7164	1,433,574	3.15%
Total	<u><u>\$2,000,936</u></u>	

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

The Ohio Public Works Commission (OPWC) loan CM14A relates to a sanitary sewer system rehabilitation project. The loan was issued in 1998 at a 0% interest rate. The OPWC approved a \$196,193 loan to the Village for this project. Semi-annual installments of \$4,905 are required over a twenty year period. The loan was completely paid off in 2017.

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

Village of West Liberty, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 9 – Debt (Continued)

The Ohio Public Works Commission (OPWC) loan CT28L relates to a headworks improvement project for the waste water treatment plant. The \$114,540 loan was approved in 2008 with a 1% interest rate; however, the Village did not draw on the loan until 2009. Semi-annual installments of \$3,167 are required over a twenty year period.

The Ohio Public Works Commission (OPWC) loan CT52N relates to the Columbus Street project, phase I. The Issue II monies loan portion was approved in 2011 in the amount of \$59,492 at 0% interest. Semi-annual installments of \$991 are required over a thirty year period.

The People's Savings and Loan Company loaned the Village \$53,280 for a street department truck, paying the dealer directly. The loan was issued in 2014 at a 3% interest rate and is paid monthly in the amount of \$960 until maturity in 2019. The loan was completely paid off in 2017.

The People's Savings and Loan Company loaned the Village \$27,059 for a 2015 Ford Explorer SUV Cruiser, paying the dealer directly. The loan was issued in 2015 at a 2.5% interest rate and is paid monthly in the amount of \$781 until maturity in 2018. The loan was completely paid off in 2017.

The People's Savings and Loan Company loaned the Village \$130,115 for a 2016 Freightliner Chasses garbage truck with rear loader, paying the dealer directly. The loan was issued in 2016 at a 3.25% interest rate and is paid monthly in the amount of \$1,735 until maturity in 2023.

The People's Savings and Loan Company loaned the Village \$28,379 for a 2016 Ford Explorer SUV Cruiser, paying the dealer directly. The loan was issued in 2016 at a 2.5% interest rate and is paid monthly in the amount of \$820 until maturity in 2019. The loan was completely paid off in 2017.

The People's Savings and Loan Company loaned the Village \$130,000 for the purchase of property located at 111 Runkle Street for a police department. The loan was issued in 2017 at 3.5% interest rate. The Village will draw more money on this loan for renovation purposes in 2018 and the amortization schedule for the loan will then be established.

The Ohio Water Development Authority (OWDA) loaned the village \$1,463,473 for the construction of a Water Treatment Plant. The loan was issued in 2016 at a 3.15% interest rate for 30 years and will be paid semi-annually in the amount of \$37,883 starting July 2017. The Village received a principal adjustment of \$1,558 in September 2017.

Village of West Liberty, Ohio
Logan County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 9 – Debt (Continued)

Amortization

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

Year ending December 31:	Water Tower	CT28L	CM10F	CT52N
2018	\$12,816	\$6,334	\$29,924	\$1,982
2019	12,816	6,334	29,924	1,982
2020	12,816	6,334	29,924	1,982
2021	8,415	6,334	29,924	1,982
2022		6,334	29,924	1,982
2023-2027		31,670	44,881	9,910
2028-2032		12,668		9,910
2033-2037				9,910
2038-2041				6,962
Total	<u>\$46,863</u>	<u>\$76,008</u>	<u>\$194,501</u>	<u>\$46,602</u>

Year ending December 31:	Garbage Truck	OWDA 7164
2018	\$20,820	\$75,766
2019	20,820	75,766
2020	20,820	75,766
2021	20,820	75,766
2022	6,488	75,766
2023-2027		378,830
2028-2032		378,830
2033-2037		378,830
2038-2042		378,830
2043-2046		303,035
Total	<u>\$89,768</u>	<u>\$2,197,185</u>

Note: The People’s Savings and Loan – Police Station did not have a debt to maturity as of December 31, 2017, due to the Village drawing more money from this loan in 2018 for renovations.

Note 10 – Jointly Governed Organizations

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

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

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of West Liberty, Logan County, (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 January 23, 2020 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We have qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as Permanent Fund Cemetery Endowment Funds.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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 responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

January 23, 2020

VILLAGE OF WEST LIBERTY
LOGAN 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 and Material Weakness – Financial Reporting

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

Ohio Rev. Code § 5705.10(D) provides, in part, 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, is to be paid into a special fund for such purpose.

Ohio Rev. Code § 5735.28 states wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to sections 4501.04, 5735.23, and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways, or to pay principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133. of the Revised Code or incurred pursuant to section 5531.09 of the Revised Code for such purposes. The financial activity should be recorded in the State Highway Fund.

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.

The Village incorrectly applied the above guidance when posting a \$999 motor vehicle license receipt in 2018. The Village posted the entire receipt to the General Fund; however 92.5% (\$924) should have been posted to the Street Construction, Maintenance, and Repair Fund and 7.5% (\$75) should have been posted to the State Highway Fund. The error was adjusted on the financial statements and accounting records.

Additionally, the Village entered into a loan from the People's Savings and Loan Company and received proceeds in 2017 and 2018; however the proceeds and expenditures by the bank were not included on the statements. The Village also did not correctly account for all of the activity for the Ohio Water Development Authority (OWDA) loan. Audit adjustments and reclassifications were made as follows:

- 2017 General fund
 - Increased Sale of Notes and Capital Outlay by \$130,000
- 2017 Enterprise fund
 - Increased Other Debt Proceeds and Capital Outlay by \$5,000
 - Reclassed \$255,298 from Interest and Fiscal Charges to Capital Outlay
 - Reclassed \$15,836 from Interest and Other Fiscal Charges to Principal Retirement

**FINDING NUMBER 2018-001
(Continued)**

- 2018 General fund
 - Reclassed \$170,000 from Other Financing Sources to Sale of Notes
 - Reclassed \$496 from Principal Retirement to Interest and Fiscal Charges
- 2018 Enterprise funds
 - Reclassed \$112 from Principal Retirement to Interest and Fiscal Charges

The Village also misclassified the following transactions, which have been adjusted on the statements:

- General fund subsequent year appropriations in excess of estimated receipts in the amount of \$186,050 and \$183,350 for 2018 and 2017, respectively, were classified as unassigned instead of assigned fund balance.
- Special Revenue fund farm rent in 2017 was recorded as Charges for Services instead of Miscellaneous in the amount of \$91,107.
- Special Revenue sales tax monies spent on behalf of the Village by Logan County were not included on the financial statements as intergovernmental revenues and capital outlay expenditures, in the amounts of \$56,225 and \$73,550, in 2018 and 2017, respectively.
- Garbage bag sales were classified as Miscellaneous instead of Charges for Services in the amount of \$37,817 in 2018.
- Special Revenue fund certificate of deposit balance of \$25,000 was classified as nonspendable rather than restricted fund balance in both 2018 and 2017.

Finally, the Village misclassified expenditures during 2018 and 2017 which resulted in the following reclassifications to the financial statements:

- 2017 General fund
 - Increased Capital Outlay and decreased Other Financing Uses by \$19,500
- 2018 General fund
 - Increased Capital Outlay by \$310,188
 - Increased Leisure Time Activities by \$2,500
 - Decreased Other Financing Uses by \$312,688

In addition to the adjustments and reclassifications listed above, we have also identified additional misstatements ranging from \$40 to \$17,339, which have been brought to the Village's attention. Financial statement errors resulted from misunderstanding of transactions and activities.

The failure to correctly classify financial activity in the accounting records and financial statements may impact the user's understanding of the financial operations, the Village's ability to make sound financial decisions or comply with budgetary law, and/or result in materially misstated reports. The Village should have procedures in place to provide for accurate and complete recording of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

Officials' Response:

I am sorry I forgot in 2017-2018 about the purchase of property and will try to remember in the future.

FINDING NUMBER 2018-002

Material Weakness – Trust Agreements

The Village presented Cemetery Endowment Funds as Permanent Funds but did not maintain original trust agreements to support the fund / account classification for financial reporting. Due to the lack of documentation, we were unable to obtain sufficient audit evidence to support the activity and fund cash balances should be reported in the permanent fund.

The Endowment Funds represented 100% of the Permanent Funds activity and fund balances, with fund cash balances of \$29,733 and \$29,916 at December 31, 2018 and 2017, respectively. Without the original trust agreements, it is not possible to determine whether the Cemetery Endowment Funds should be presented as Permanent Funds (benefit to the Village) or Private Purpose Trust Funds (benefit to other organizations, governments, or individuals). In addition, the lack of trust agreements may be an indication these funds would result in being classified as Special Revenue Funds. The inability to determine if this activity and fund balances were properly reported resulted in a modified opinion on the Village's financial statements.

The Village should consult their Legal Counsel for legal advice about how to proceed with the money in this fund. For any new trust funds received, the Village should retain copies of the documentation establishing these trust funds to identify the original principal and purpose of each Trust. In addition, the Village would be able to identify whether or not the principal must be maintained in perpetuity and whether or not the trust is to benefit the entity or other organizations, governments, or individuals. Furthermore, the Village should review Governmental Accounting Standards Board (GASB) 1300 (GASB 54 codification) and Auditor of State Bulletin 2011-004 for fund classification guidance.

Officials' Response:

I will talk with the board again about changing these funds to Special Revenue. They felt it was too costly to change this and not feasible.

VILLAGE OF WEST LIBERTY

201 N. DETROIT ST. P.O. Box 187

WEST LIBERTY, OHIO 43357

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

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance and Material Weakness: Accuracy and Completeness of Financial Activity	Not Corrected	Repeated as Finding 2018-001 I am working on getting the correct revenue into the correct funds and corrected in the future.
2016-002	Material Weakness: Documentation for Permanent Funds	Not Corrected	Repeated as Finding 2018-002 This is not feasible to hire legal counsel to move this money to be spent. Will discuss with trustees to do some every year.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF WEST LIBERTY

LOGAN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 20, 2020**