



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 of the cash balances, receipts and disbursements by fund type, and related notes of Village of Liberty Center, Henry County, Ohio, (the Village) as of and for the years ended December 31, 2016 and 2015.

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 opinions.

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

As described in Notes 2 and Note 1B of the financial statements for 2016 and 2015 respectively, the Village prepared these financial statements using the accounting basis permitted by the financial

reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, 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 Village of Liberty Center Henry Country, Ohio, as of December 31, 2016 and 2015, 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 Notes 2 and Note 1B of the financial statements for 2016 and 2015 respectively.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017, 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

September 28, 2017

Village of Liberty Center, Ohio

Henry County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$27,548			\$27,548
Municipal Income Tax	226,375		\$56,595	282,970
Intergovernmental	28,050	\$60,569		88,619
Charges for Services	6,200	700		6,900
Fines, Licenses and Permits	9,859			9,859
Earnings on Investments	2,829	178		3,007
Miscellaneous	7,028	2,200	365	9,593
<i>Total Cash Receipts</i>	<u>307,889</u>	<u>63,647</u>	<u>56,960</u>	<u>428,496</u>
Cash Disbursements				
Current:				
Security of Persons and Property	59,453			59,453
Public Health Services	11,232			11,232
Leisure Time Activities	15,132			15,132
Community Environment	5,321			5,321
Basic Utility Services	15,605			15,605
Transportation	10,109	57,027		67,136
General Government	143,163	6,185	3,867	153,215
Capital Outlay	2,500		43,503	46,003
Debt Service:				
Principal Retirement			5,027	5,027
<i>Total Cash Disbursements</i>	<u>262,515</u>	<u>63,212</u>	<u>52,397</u>	<u>378,124</u>
<i>Excess of Receipts Over Disbursements</i>	<u>45,374</u>	<u>435</u>	<u>4,563</u>	<u>50,372</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	50,505			50,505
Transfers In		8,040		8,040
Transfers Out	(29,780)			(29,780)
Other Financing Uses	(875)			(875)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>19,850</u>	<u>8,040</u>	<u>0</u>	<u>27,890</u>
<i>Net Change in Fund Cash Balances</i>	<u>65,224</u>	<u>8,475</u>	<u>4,563</u>	<u>78,262</u>
<i>Fund Cash Balances, January 1</i>	<u>68,961</u>	<u>28,824</u>	<u>126,362</u>	<u>224,147</u>
Fund Cash Balances, December 31				
Restricted		29,299		29,299
Committed		8,000	130,925	138,925
Assigned	92,373			92,373
Unassigned	41,812			41,812
<i>Fund Cash Balances, December 31</i>	<u>\$134,185</u>	<u>\$37,299</u>	<u>\$130,925</u>	<u>\$302,409</u>

See accompanying notes to the basic financial statements

Village of Liberty Center, Ohio

Henry County

Combined Statement of Receipts, Disbursements

and Changes in Fund Balances (Regulatory Cash Basis)

All Proprietary Fund Types

For the Year Ended December 31, 2016

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$788,369
Miscellaneous	9,115
<i>Total Operating Cash Receipts</i>	<u>797,484</u>
Operating Cash Disbursements	
Personal Services	178,895
Employee Fringe Benefits	84,587
Contractual Services	53,007
Supplies and Materials	80,708
Other	277,123
<i>Total Operating Cash Disbursements</i>	<u>674,320</u>
<i>Operating Income</i>	<u>123,164</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	56,476
Special Assessments	17,254
Capital Outlay	(74,187)
Principal Retirement	(17,883)
Interest and Other Fiscal Charges	(8,883)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(27,223)</u>
<i>Income before Transfers</i>	95,941
Transfers In	49,895
Transfers Out	(28,155)
<i>Net Change in Fund Cash Balances</i>	117,681
<i>Fund Cash Balances, January 1</i>	<u>534,113</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$651,794</u></u>

See accompanying notes to the basic financial statements

VILLAGE OF LIBERTY CENTER
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1 - Reporting Entity

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

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 (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

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

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

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

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

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

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

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

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

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

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

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

The Village values Certificates of deposits at cost.

VILLAGE OF LIBERTY CENTER
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

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 LIBERTY CENTER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 3 – Compliance

Contrary to Ohio Rev. Code 5705.10 (D) the Village of Liberty Center posted OPWC revenues to improper funds.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$343,800	\$358,394	\$14,594
Special Revenue	80,950	71,687	(9,263)
Capital Projects	54,000	56,960	2,960
Enterprise	979,401	921,109	(58,292)
Total	\$1,458,151	\$1,408,150	(\$50,001)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$396,316	\$302,793	\$93,523
Special Revenue	99,079	63,652	35,427
Capital Projects	83,692	53,446	30,246
Enterprise	1,319,655	851,535	468,120
Total	\$1,898,742	\$1,271,426	\$627,316

VILLAGE OF LIBERTY CENTER
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 5 – Deposits and Investments

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

	<u>2016</u>
Demand deposits	\$411,730
Certificates of deposit	526,000
Other time deposits (savings and NOW accounts)	<u>16,473</u>
Total deposits	<u>\$954,203</u>

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

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

Income Taxes

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

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.

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 7 – Transfers

During the year ended December 31, 2016, the following transfers in and out occurred:

Fund	Transfers In	Transfers Out
2016		
<i>General Fund</i>		\$29,780
<i>Special Revenue Fund</i>		
Park	\$40	
Other Special Revenue	8,000	
<i>Enterprise</i>		
Water Operating	12,500	26,155
Water Meter	14,400	
Sewer Operating	12,500	2,000
Water Capital Improvement	10,096	
Sewer Capital Improvement	399	
Total	\$57,935	\$57,935

Note 8 - Risk Management

Workers Compensation coverage is provided by the State of Ohio. The Village pays the State Workers Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Health Insurance

The Village provides health insurance to five employees. Employees contribute 15% of their monthly premiums which is taken out of their salary weekly. The Village participates with the Toledo Region Chamber of Commerce which contracts with Medical Mutual for our group health insurance.

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 9 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Retirement Rates	Year	Member Rate	Employer
OPERS-Local	2012-2016	10%	14%

Note 10 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS organization contributes 2 percent of the employer contribution to fund these benefits.

Note 11 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan- E. Maple St. – Phase 1	\$20,263	0%
OPWC Loan - W. Maple St. – Phase 2	6,824	0%
OPWC Loan- Oxidation Ditch- Phase 1	37,579	0%
OPWC Loan- Oxidation Ditch- Phase 2	102,923	0%
Henry County Bank- Oxidation Ditch Phase 2	14,480	4%
Ohio Water Development Authority Loan	417,633	1.94%
Total	<u>\$599,702</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.

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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 ditch. The loan was for \$43,361 and will be made in semi-annual installments over 30 years.

The Ohio Public Works Commission (OPWC) Loan for Phase 11 of the Wastewater Treatment Plant Oxidation Ditch Repairs was issued in fiscal year 2014 and relates to the repairs made on the wastewater treatment plant oxidation ditch. The loan was for \$104,667 and will be made in semi-annual installments over 30 years.

The Henry County Bank Loan for \$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.

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, 2016 the Village has only borrowed \$378,229 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 (other than the OWDA County 11 pump station loan, as this loan is not finalized, including interest, is scheduled as follows:

Year ending December 31:	OPWC Loans	OWDA Loan	Henry County
2017	9,962	20,529	3,047
2018	9,962	20,529	3,047
2019	9,962	20,529	3,047
2020	9,962	20,529	3,047
2021-2025	31,649	102,645	4,062
2026-2030	24,671	102,646	
2031-2035	24,671	102,646	
2036-2040	24,671	102,646	
2041-2046	20,335	41,058	
2046	1,744		
Total	<u>\$167,589</u>	<u>\$533,757</u>	<u>\$16,250</u>

Village of Liberty Center, Ohio
Henry County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$27,304			\$27,304
Municipal Income Tax	170,593		\$42,649	213,242
Intergovernmental	27,653	\$81,310		108,963
Charges for Services	7,035	1,300		8,335
Fines, Licenses and Permits	8,949			8,949
Earnings on Investments	2,180	207		2,387
Miscellaneous	9,916	1,304	162	11,382
<i>Total Cash Receipts</i>	<u>253,630</u>	<u>84,121</u>	<u>42,811</u>	<u>380,562</u>
Cash Disbursements				
Current:				
Security of Persons and Property	61,153			61,153
Public Health Services	9,638			9,638
Leisure Time Activities	21,307			21,307
Community Environment	5,369			5,369
Basic Utility Services	16,387			16,387
Transportation	11,514	58,165		69,679
General Government	142,492	26,405	3,606	172,503
Capital Outlay			24,555	24,555
Debt Service:				
Principal Retirement			2,514	2,514
<i>Total Cash Disbursements</i>	<u>267,860</u>	<u>84,570</u>	<u>30,675</u>	<u>383,105</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(14,230)</u>	<u>(449)</u>	<u>12,136</u>	<u>(2,543)</u>
Other Financing Receipts (Disbursements)				
Transfers In		5,194		5,194
Transfers Out	(5,744)			(5,744)
Other Financing Uses	(385)			(385)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(6,129)</u>	<u>5,194</u>		<u>(935)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(20,359)</u>	<u>4,745</u>	<u>12,136</u>	<u>(3,478)</u>
<i>Fund Cash Balances, January 1</i>	<u>89,320</u>	<u>24,079</u>	<u>114,226</u>	<u>227,625</u>
Fund Cash Balances, December 31				
Restricted		28,824		28,824
Committed			126,362	126,362
Assigned	40,116			40,116
Unassigned	28,845			28,845
<i>Fund Cash Balances, December 31</i>	<u>\$68,961</u>	<u>\$28,824</u>	<u>\$126,362</u>	<u>\$224,147</u>

See accompanying notes to the basic financial statements

Village of Liberty Center, Ohio
Henry County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2015

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$748,850
Miscellaneous	11,734
	<u>760,584</u>
<i>Total Operating Cash Receipts</i>	<u>760,584</u>
Operating Cash Disbursements	
Personal Services	170,460
Employee Fringe Benefits	95,379
Contractual Services	57,123
Supplies and Materials	72,441
Other	300,596
	<u>695,999</u>
<i>Total Operating Cash Disbursements</i>	<u>695,999</u>
<i>Operating Income</i>	<u>64,585</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	138,510
Special Assessments	18,634
Sale of Capital Assets	930
Capital Outlay	(153,599)
Principal Retirement	(15,814)
Interest and Other Fiscal Charges	(9,207)
	<u>(20,546)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(20,546)</u>
<i>Income before Transfers</i>	44,039
Transfers In	20,309
Transfers Out	(19,759)
	<u>44,589</u>
<i>Net Change in Fund Cash Balances</i>	<u>44,589</u>
<i>Fund Cash Balances, January 1</i>	<u>489,524</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$534,113</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015
(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, construction, and reconstruction 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, roads, and assets 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 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.

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, 2015
(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 re-appropriated.

A summary of 2015 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Non-spendable

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

2. Restricted

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

3. Committed

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

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	<u>2015</u>
Demand deposits	\$232,260
Certificates of deposit	<u>526,000</u>
Total Demand deposits	<u><u>\$758,260</u></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, 2015
(Continued)**

3. Budgetary Activity

Budgetary activity for the year ending 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$279,000	\$253,630	(\$25,370)
Special Revenue	94,450	89,315	(5,135)
Capital Projects	44,000	42,811	(1,189)
Enterprise	1,052,920	938,967	(113,953)
Total	\$1,470,370	\$1,324,723	(\$145,647)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$331,770	\$283,255	\$48,515
Special Revenue	107,030	84,980	22,050
Capital Projects	68,789	31,067	37,722
Enterprise	1,343,567	945,189	398,378
Total	\$1,851,156	\$1,344,491	\$506,665

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. In 2014, the Village changed the tax credit from 100% to 50% for monies paid to other villages starting in 2015.

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.

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

6. Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$71,139	0%
General Obligation Notes	16,925	4%
Ohio Water Development Authority Loan	429,881	1.94
Total	\$517,945	

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.

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.

The Ohio Water Development Authority (OWDA) Loan 6351 was issued in 2013 and elates to treatment improvements for TTHM removal at the booster station. As of December 31, 2015 the Village has only borrowed \$378,229 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.

Year ending December 31:	OPWC Loans	OWDA Loan	Henry County
2016	\$6,473	\$20,529	\$3,047
2017	6,473	20,529	3,047
2018	6,473	20,529	3,047
2019	6,473	20,529	3,047
2020-2024	19,231	102,645	7,110
2025-2029	7,227	102,645	
2030-2034	7,227	102,645	
2035-2039	7,227	60,041	
2040-2045	4,335		
Total	\$71,139	\$450,092	\$19,298

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

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 2015, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participant's gross salaries. The Village has paid all contributions required through December 31, 2015.

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. Transfers

During the year ended December 31, 2015, the following transfers in and out occurred:

Fund	Transfers In	Transfers Out
2015		
<i>General Fund</i>		\$5,744
<i>Special Revenue Fund</i>		
Street Construction and Maintenance	\$4,000	
Park	1,194	
<i>Enterprise</i>		
Water Operating Fund		19,759
Water Meter Fund	14,400	
Water Capital Improvement	5,619	
Sewer Capital Improvement	290	
Total	\$25,503	\$25,503

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.

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Village of Liberty Center, Henry County, Ohio, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated September 28, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 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 matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2016-001.

Village's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

September 28, 2017

VILLAGE OF LIBERTY CENTER
HENRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2016

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

FINDING NUMBER 2016-001

Material Weakness and Noncompliance Citation

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

During 2015, the Village posted revenues to incorrect funds, as follows:

- Ohio Water Development Authority (OWDA), Water debt (loan) proceeds of \$11,913 were incorrectly posted to a Special Revenue fund instead of the Water Operating Enterprise fund.
- Ohio Public Works Commission (OPWC), Wastewater Treatment Plant debt (loan) proceeds of \$104,379 were incorrectly posted to a Special Revenue fund instead of the Wastewater Treatment Plant Enterprise fund.

The financial statements have been adjusted to reflect these 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 help ensure the Village's financial statements are complete and accurate, Management should adopt policies and procedures, including a final review of the financial statements, to identify and correct errors and omissions.

Officials' Response:

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

FINDING NUMBER 2016-002

Material Weakness

Monitoring Financial Statements

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

The 2015 and 2016 financial statements contained the following errors:

- In 2015, Principal payments on two OPWC loans totaling \$2,514 were incorrectly posted to capital outlay instead of to principal retirement.

- In 2015 and 2016, General fund encumbrances in the amount of \$9,166 and \$9,623, respectively, were classified as unassigned instead of assigned. Adjustments were made to the General fund to properly classify encumbrances as assigned.
- In 2015 and 2016 appropriations exceeded estimated receipts by \$30,950 and \$82,750 respectively. Therefore, the total reclassification for 2015 and 2016 respectively to assign fund balance in the General Fund were \$40,116 and \$92,373.

The financial statements have been adjusted to reflect these 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 and 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.

To help ensure the Village's financial statements are complete and accurate, Management should adopt policies and procedures, including a final review of the financial statements to identify and correct errors and omissions. 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 Fiscal Officer will continue to monitor and implement changes to the financial statements.

**VILLAGE OF LIBERTY CENTER
HENRY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material weakness due to adjustments made to the financial statements.	Not corrected and repeated in this report as Finding 2016-001.	This finding reoccurred due to lack of understanding of the types of monies received and proper classification per the uniform system of accounting. Village is implementing procedures to correct these errors for the future.
2014-002	Material weakness due to inadequate presentation of fund balance in accordance with GASB 54.	Not corrected and repeated in this report as Finding 2016-002.	This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements for compliance with GASB 54. The Village is implementing procedures to correct these errors for the future.

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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
OCTOBER 12, 2017