



Dave Yost • Auditor of State

VILLAGE OF WEST LIBERTY
LOGAN COUNTY
DECEMBER 31, 2016 AND 2015

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

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

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* 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.

Basis for Additional Opinion Qualification

The Village reported the Cemetery Endowment Funds activity and fund cash balance of \$30,090 and \$30,029 at December 31, 2016 and 2015, 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 combined cash balances of the Village of West Liberty, Logan County 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 Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 29, 2017

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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, 2016

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$267,989	\$8,830		\$276,819
Municipal Income Tax	433,795			433,795
Intergovernmental	80,165	76,475		156,640
Charges for Services	100,144	121,019		221,163
Fines, Licenses and Permits	4,170			4,170
Earnings on Investments	2,558	272		2,830
Miscellaneous	36,704	7,981		44,685
<i>Total Cash Receipts</i>	<u>925,525</u>	<u>214,577</u>	<u>0</u>	<u>1,140,102</u>
Cash Disbursements				
Current:				
Security of Persons and Property	403,723			403,723
Public Health Services		93,592		93,592
Leisure Time Activities	14,129			14,129
Community Environment	2,384			2,384
Transportation	26,645	194,430		221,075
General Government	198,115			198,115
Capital Outlay	229,359	8,595		237,954
Debt Service:				
Principal Retirement	28,246			28,246
Interest and Fiscal Charges	2,009			2,009
<i>Total Cash Disbursements</i>	<u>904,610</u>	<u>296,617</u>	<u>0</u>	<u>1,201,227</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>20,915</u>	<u>(82,040)</u>	<u>0</u>	<u>(61,125)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	28,379			28,379
Transfers In		10,088	61	10,149
Transfers Out	(10,634)			(10,634)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>17,745</u>	<u>10,088</u>	<u>61</u>	<u>27,894</u>
<i>Net Change in Fund Cash Balances</i>	38,660	(71,952)	61	(33,231)
<i>Fund Cash Balances, January 1</i>	<u>578,635</u>	<u>285,777</u>	<u>30,029</u>	<u>894,441</u>
Fund Cash Balances, December 31				
Nonspendable			24,252	24,252
Restricted		213,825	5,838	219,663
Assigned	143,000			143,000
Unassigned (Deficit)	474,295			474,295
<i>Fund Cash Balances, December 31</i>	<u>\$617,295</u>	<u>\$213,825</u>	<u>\$30,090</u>	<u>\$861,210</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, 2016

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$935,270
Miscellaneous	26,633
<i>Total Operating Cash Receipts</i>	<u>961,903</u>
Operating Cash Disbursements	
Personal Services	236,905
Employee Fringe Benefits	143,135
Contractual Services	272,210
Supplies and Materials	106,441
Other	4,209
<i>Total Operating Cash Disbursements</i>	<u>762,900</u>
<i>Operating Income (Loss)</i>	<u>199,003</u>
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	1,333,289
Capital Outlay	(1,416,651)
Principal Retirement	(83,698)
Interest and Other Fiscal Charges	(24,183)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(191,243)</u>
<i>Income (Loss) before Transfers</i>	7,760
Transfers In	485
<i>Net Change in Fund Cash Balance</i>	8,245
<i>Fund Cash Balance, January 1</i>	<u>973,914</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$982,159</u></u>

See accompanying notes to the basic financial statements

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, 2015

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$270,848	\$8,935		\$279,783
Municipal Income Tax	402,267			402,267
Intergovernmental	82,555	75,914		158,469
Charges for Services	99,591	115,993		215,584
Fines, Licenses and Permits	4,299			4,299
Earnings on Investments	2,711	312		3,023
Miscellaneous	13,747	3,616		17,363
<i>Total Cash Receipts</i>	<u>876,018</u>	<u>204,770</u>	<u>0</u>	<u>1,080,788</u>
Cash Disbursements				
Current:				
Security of Persons and Property	424,119			424,119
Public Health Services		112,896	181	113,077
Leisure Time Activities	12,709			12,709
Community Environment	2,357			2,357
Transportation	39,772	109,750		149,522
General Government	198,443			198,443
Capital Outlay	115,219	34,362		149,581
Debt Service:				
Principal Retirement	51,569			51,569
Interest and Fiscal Charges	2,063			2,063
<i>Total Cash Disbursements</i>	<u>846,251</u>	<u>257,008</u>	<u>181</u>	<u>1,103,440</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>29,767</u>	<u>(52,238)</u>	<u>(181)</u>	<u>(22,652)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	27,059			27,059
Transfers In		15,065	107	15,172
Transfers Out	(15,744)			(15,744)
Other Financing Sources	28,389			28,389
<i>Total Other Financing Receipts (Disbursements)</i>	<u>39,704</u>	<u>15,065</u>	<u>107</u>	<u>54,876</u>
<i>Net Change in Fund Cash Balances</i>	69,471	(37,173)	(74)	32,224
<i>Fund Cash Balances, January 1</i>	<u>509,164</u>	<u>322,950</u>	<u>30,103</u>	<u>862,217</u>
Fund Cash Balances, December 31				
Nonspendable			24,252	24,252
Restricted		285,777	5,777	291,554
Assigned	298,950			298,950
Unassigned (Deficit)	279,685			279,685
<i>Fund Cash Balances, December 31</i>	<u>\$578,635</u>	<u>\$285,777</u>	<u>\$30,029</u>	<u>\$894,441</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, 2015

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$920,931
Miscellaneous	10,901
<i>Total Operating Cash Receipts</i>	<u>931,832</u>
Operating Cash Disbursements	
Personal Services	225,018
Employee Fringe Benefits	123,709
Contractual Services	213,007
Supplies and Materials	115,122
Other	3,145
<i>Total Operating Cash Disbursements</i>	<u>680,001</u>
<i>Operating Income (Loss)</i>	<u>251,831</u>
Non-Operating Receipts (Disbursements)	
Capital Outlay	(50,954)
Principal Retirement	(55,661)
Interest and Other Fiscal Charges	(4,289)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(110,904)</u>
<i>Income (Loss) before transfers</i>	140,927
Transfers In	572
<i>Net Change in Fund Cash Balance</i>	141,499
<i>Fund Cash Balance, January 1</i>	<u>832,415</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$973,914</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 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 West Liberty, Logan County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, garbage rubbish pick up, park operations, fire and police services, and cemetery operations. The Village appropriates general fund money to support a volunteer fire department and receipts the money received from the fire department contracts with other governmental entities into the general fund as well.

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

Jointly Governed Organization:
Macochee Joint Ambulance District

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Special Revenue Funds

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

State Highway Fund - This fund receives motor vehicle tax money for maintaining the portion of state highway that passes through the Village corporation.

Permissive Motor Vehicle License Tax Fund – This fund receives permissive motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

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

3. Permanent Funds

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

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

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

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.

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2016 and 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. Nonspendable

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

2. Restricted

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

3. Committed

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

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS

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

	2016	2015
Demand deposits	\$1,494,117	\$1,519,103
Certificates of deposit	349,252	349,252
Total deposits	\$1,843,369	\$1,868,355

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

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$818,050	\$953,904	\$135,854
Special Revenue	219,450	224,665	5,215
Enterprise	983,200	2,295,677	1,312,477
Permanent	100	61	(39)
Total	\$2,020,800	\$3,474,307	\$1,453,507

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,117,000	\$915,244	\$201,756
Special Revenue	395,050	302,681	92,369
Enterprise	2,664,550	2,287,432	377,118
Permanent	500	0	500
Total	\$4,177,100	\$3,505,357	\$671,743

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$892,050	\$931,466	\$39,416
Special Revenue	96,300	219,835	123,535
Enterprise	931,200	932,404	1,204
Permanent	100	107	7
Total	\$1,919,650	\$2,083,812	\$164,162

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$953,560	\$861,995	\$91,565
Special Revenue	326,560	257,008	69,552
Enterprise	1,057,900	790,905	266,995
Permanent	500	181	319
Total	\$2,338,520	\$1,910,089	\$428,431

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

6. DEBT

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2011 People's Savings & Loan - Water Tower	\$53,224	5%
1998 OPWC CM14A	9,810	0%
2003 OPWC CM10F	224,424	0%
2008 OPWC CT28L	77,022	0.01%
2011 OPWC CT52N	48,585	0%
2014 People's Savings & Loan - Truck	31,867	3%
2015 People's Savings & Loan - Cruiser	11,478	2.5%
2016 People's Savings & Loan - Garbage Truck	101,534	3.25%
2016 People's Savings & Loan - Cruiser	21,451	2.5%
2016 OWDA Loan 7164	1,203,176	3.15%
Total	<u>\$1,782,571</u>	

The Small Government Fire Department Services Revolving Loan Program note is for the Pierce Commercial Contender Pumper. The loan was issued in 2005 at a 0% interest rate. The Ohio Department of Commerce, Division of State Fire Marshall approved a \$166,000 loan to the Village. Quarterly installments of \$4,150 are required for ten years. The loan was paid off completely in fiscal year 2015.

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

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

6. DEBT (CONTINUED)

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

The Ohio Public Works Commission (OPWC) loan 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. The OPWC approved a \$598,500 loan to the Village for this project. Semi-annual installments of \$3,167 are required over a twenty year period.

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

The People's Savings and Loan bank loaned the Village \$31,342 for a police cruiser, paying the dealer directly. The loan was issued in 2014 at a 2.5% interest rate and is paid monthly in the amount of \$910 until maturity in 2017. The cruiser was wrecked in 2014 twice and then totaled. Insurance proceeds were received to pay off the loan in fiscal year 2015.

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

The People's Savings and Loan bank 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 People's Savings and Loan bank 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 bank 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 Ohio Water Development Authority (OWDA) loaned the Village \$1,203,176 for the construction of a Water Treatment Plant. The loan was issued in 2016 at a 3.15% interest rate and will be paid semi-annually starting in fiscal year 2017 once the project is fully completed.

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

6. DEBT (CONTINUED)

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

Year ending December 31:	Water Tower	CT28L	CM14A	CM10F	CT52N
2017	\$12,816	\$6,334	\$9,810	\$29,924	\$1,982
2018	12,816	6,334		29,924	1,982
2019	12,816	6,334		29,924	1,982
2020	12,816	6,334		29,924	1,982
2021	8,415	6,334		29,924	1,982
2022-2026		31,670		74,804	9,910
2027-2031		19,002			9,910
2032-2036					9,910
2037-2041					8,945
Total	<u>\$59,679</u>	<u>\$82,342</u>	<u>\$9,810</u>	<u>\$224,424</u>	<u>\$48,585</u>

Year ending December 31:	Truck	2015 Cruiser	Garbage Truck	2016 Cruiser
2017	\$11,520	\$9,372	\$20,820	\$9,840
2018	11,520	2,323	20,820	9,840
2019	10,562		20,820	1,815
2020			20,820	
2021			20,820	
2022-2026			6,488	
Total	<u>\$33,602</u>	<u>\$11,695</u>	<u>\$110,588</u>	<u>\$21,495</u>

Note: The OWDA loan did not have a debt to maturity as of December 31, 2016, due to the project still being in progress and therefore was omitted from the annual debt requirement schedule.

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. From January 1, 2015 through June 30, 2015, OP&F participants contributed 11.5% of their annual covered salary. From July 1, 2015 through December 31, 2016, participants contributed 12.25% of their annual covered salary. For 2016 and 2015, the Village contributed an amount equal to 19.5% of full-time police members' wages. For 2016 and 2015, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of covered payroll. The Village has paid all contributions required through December 31, 2016.

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

7. RETIREMENT SYSTEMS (CONTINUED)

Several of the Village's 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, 2016.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. JOINTLY GOVERNED ORGANIZATION

A four member Board of Trustees governs the Maccochee 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.

10. RELATED PARTY TRANSACTIONS

A Village Council member owns Liberty Oil and Gas, which provides gasoline and vehicle services to the Village. Liberty Oil and Gas was paid \$8,097 in 2015. However, due to a fire in October 2015, Liberty Oil and Gas closed.

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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, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated August 29, 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. 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 2016-001 and 2016-002 to be material weaknesses.

Village of West Liberty
Logan County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards*

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 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 29, 2017

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance and Material Weakness

Ohio Rev. Code § 733.28 provides, in part, that the Village Clerk/ Clerk-Treasurer shall keep the books of the Village and exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and the income derived there from, and of all taxes and assessments. **Ohio Admin. Code § 117-2-02(A)**, states, in part, that all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, 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.

The Village incorrectly applied the above guidance when posting receipts during 2015. The following errors occurred and were adjusted on the financial statements and Village accounting records:

- Street Construction, Maintenance, and Repair Special Revenue fund: 92.5% Intergovernmental revenues, in the amount of \$808, was posted as State Highway Special Revenue Fund Intergovernmental revenues.
- General fund: A local government receipt, in the amount of \$4,298, was posted to the Street Construction, Maintenance, and Repair Special Revenue fund and the State Highway Special Revenue fund, in the amounts of \$3,976 and \$322, respectively.

Also, in 2016, the Village posted debt payments to the incorrect funds. The following errors occurred and were adjusted on the financial statements and Village accounting records:

- General fund truck loan principal payment, in the amount of \$485, was posted as a Water Operating/Pumping Enterprise fund principal payment.
- Water Operating/Pumping Enterprise fund water tower loan interest payment, in the amount of \$281, was posted as a General fund principal payment.

Additionally, the Village entered into two separate loans from The Peoples Savings and Loan Company in 2016; however, the proceeds and expenditures by the bank were not included on the statements. The Village also did not correctly account for the activity for the Ohio Water Development Authority (OWDA) loan and insurance proceeds received to pay off the cruiser loan. Other debt activity was also not reported correctly. Audit adjustments and reclassifications were made as follows:

FINDING NUMBER 2016-001
(Continued)

- 2016 General fund
 - Increased Other Debt Proceeds \$28,379
 - Increased Capital Outlay \$28,379
 - Reclassified \$139,512 from Principal Retirement to Capital Outlay
- 2016 Sewer Operating/Pumping Enterprise fund
 - Reclassified \$413 from Principal Retirement to Interest and Fiscal Charges
- 2016 Garbage/Rubbish Collection Enterprise Fund
 - Increased Other Debt Proceeds \$130,115
 - Increased Capital Outlay \$130,000
 - Increased Interest and Fiscal Charges \$115
 - Reclassified \$100 from Principal Retirement to Interest and Fiscal Charges
- 2016 Water Operating/Pumping Enterprise fund
 - Increased Other Debt Proceeds \$18,473
 - Increased Interest and Fiscal Charges \$18,473
 - Reclassified \$1,184,702 from Interest and Fiscal Charges to Capital Outlay
- 2015 General fund
 - Increased Other Financing Sources \$28,389
 - Increased Principal Retirement \$28,159
 - Increased Interest and Fiscal Charges \$230
 - Reclassified \$377 from Principal Retirement to Interest and Fiscal Charges
- 2015 Water Operating/Pumping Enterprise fund
 - Reclassified \$904 from Principal Retirement to Interest and Fiscal Charges

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

- General fund subsequent year appropriations in excess of estimated receipts in the amount of \$143,000 and \$279,685 for 2016 and 2015, respectively, were classified as unassigned instead of assigned fund balance.
- General fund homestead/rollback in the amount of \$17,469 for 2016 was classified as Charges for Services instead of Intergovernmental revenues.

Finally, the Village misclassified expenditures during 2016 and 2015 which resulted in the following adjustments to the financial statements:

- 2015 General fund
 - Increased Capital Outlay \$115,219
 - Increased General Government \$810
 - Decreased Security of Persons and Property \$63,250
 - Decreased Other Financing Uses \$52,779
- 2016 General fund
 - Increased Capital Outlay \$31,468
 - Increased Leisure Time Activities \$1,200
 - Decreased Other Financing Uses \$32,668

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 agree with all the changes and I will try to do better these next two years.

FINDING NUMBER 2016-002

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 \$30,090 and \$30,029 at December 31, 2016 and 2015, 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:

Cemetery Endowments have been in CD's for years and to get these all useable would be costly and not feasible from an attorney standpoint. I will try to discuss with the Cemetery board again.

VILLAGE OF WEST LIBERTY
LOGAN COUNTY

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

Finding Number	Finding Summary	Status	Additional Information
2014-001	Noncompliance and Material Weakness: Accuracy and Completeness of Financial Activity	Not corrected	Repeated as Finding 2016-001 I am working on getting the right monies in the right fund and may already be corrected in the future.
2014-002	Material Weakness: Documentation for Permanent Funds	Not corrected	Repeated as Finding 2016-002 I am still working on CD's for Cemetery Board and may not be feasible to hire legal counsel to correct this.



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VILLAGE OF WEST LIBERTY

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 26, 2017