



Dave Yost • Auditor of State

VILLAGE OF WEST LIBERTY
LOGAN COUNTY

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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 and related notes of the Village of West Liberty, Logan County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1B 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of West Liberty, Logan County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011, 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 permits, described in Note 1 B.

Emphasis of Matter

As discussed in Note 1 F to the financial statements, during 2011 the Village of West Liberty adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2013, on our consideration of the Government'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

May 10, 2013

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**COMBINED STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$245,236	\$8,571			\$253,807
Intergovernmental	56,793	99,783			156,576
Charges for Services	98,842	52,638			151,480
Fines, Licenses and Permits	3,440				3,440
Earnings on Investments	4,671	247			4,918
Miscellaneous	27,524				27,524
Total Cash Receipts	<u>436,506</u>	<u>161,239</u>			<u>597,745</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	318,639	23,629			342,268
Public Health Services		65,934		\$243	66,177
Leisure Time Activities	11,244				11,244
Community Environment	2,182				2,182
Transportation	10,080	90,537			100,617
General Government	127,896	6,179			134,075
Capital Outlay	5,960	31,540			37,500
Debt Service:					
Principal Retirement	16,600				16,600
Interest and Fiscal Charges	1,983				1,983
Total Cash Disbursements	<u>494,584</u>	<u>217,819</u>		<u>243</u>	<u>712,646</u>
Excess of Receipts Over (Under) Disbursements	<u>(58,078)</u>	<u>(56,580)</u>		<u>(243)</u>	<u>(114,901)</u>
Other Financing Receipts (Disbursements):					
Transfers In		30,122		173	30,295
Transfers Out	(31,497)				(31,497)
Advances In	3,070	3,070			6,140
Advances Out	(3,070)	(3,070)			(6,140)
Other Financing Uses	(10,000)				(10,000)
Total Other Financing Receipts (Disbursements)	<u>(41,497)</u>	<u>30,122</u>		<u>173</u>	<u>(11,202)</u>
Net Change in Fund Cash Balances	(99,575)	(26,458)		(70)	(126,103)
Fund Cash Balances, January 1	<u>395,222</u>	<u>294,000</u>	<u>\$4,314</u>	<u>30,646</u>	<u>724,182</u>
Fund Cash Balances, December 31:					
Non-spendable	200,000	25,000		24,252	249,252
Restricted		242,542	4,314	6,324	253,180
Unassigned (Deficit)	95,647				95,647
Fund Cash Balances, December 31	<u>\$295,647</u>	<u>\$267,542</u>	<u>\$4,314</u>	<u>\$30,576</u>	<u>\$598,079</u>

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

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$903,810
Miscellaneous	3,530
Total Operating Cash Receipts	907,340
Operating Cash Disbursements:	
Personal Services	219,916
Employee Fringe Benefits	96,781
Contractual Services	191,684
Supplies and Materials	111,854
Other	3,244
Total Operating Cash Disbursements	623,479
Operating Income (Loss)	283,861
Non-Operating Receipts (Disbursements):	
Capital Outlay	(46,379)
Principal Retirement	(59,803)
Interest and Other Fiscal Charges	(5,977)
Other Financing Uses	(22,556)
Total Non-Operating Receipts (Disbursements)	(134,715)
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	149,146
Transfers In	1,202
Net Change in Fund Cash Balances	150,348
Fund Cash Balances, January 1	525,516
Fund Cash Balances, December 31	\$675,864

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

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$243,215	\$8,412			\$251,627
Intergovernmental	85,267	72,848	\$233,838		391,953
Charges for Services	110,348	214,089			324,437
Fines, Licenses and Permits	1,813				1,813
Earnings on Investments	10,017	499			10,516
Miscellaneous	41,267	1,000			42,267
Total Cash Receipts	<u>491,927</u>	<u>296,848</u>	<u>233,838</u>		<u>1,022,613</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	300,309	22,410			322,719
Public Health Services		174,402		\$261	174,663
Leisure Time Activities	14,226				14,226
Community Environment	2,198				2,198
Transportation	697	93,050	289,016		382,763
General Government	125,520				125,520
Debt Service:					
Principal Retirement	16,600				16,600
Interest and Fiscal Charges	992				992
Total Cash Disbursements	<u>460,542</u>	<u>289,862</u>	<u>289,016</u>	<u>261</u>	<u>1,039,681</u>
Excess of Receipts Over (Under) Disbursements	<u>31,385</u>	<u>6,986</u>	<u>(55,178)</u>	<u>(261)</u>	<u>(17,068)</u>
Other Financing Receipts (Disbursements):					
Other Debt Proceeds			59,492		59,492
Transfers In	3,166	30,250		2,203	35,619
Transfers Out	(34,450)	(3,166)			(37,616)
Total Other Financing Receipts (Disbursements)	<u>(31,284)</u>	<u>27,084</u>	<u>59,492</u>	<u>2,203</u>	<u>57,495</u>
Net Change in Fund Cash Balances	101	34,070	4,314	1,942	40,427
Fund Cash Balances, January 1	<u>395,119</u>	<u>259,930</u>		<u>28,705</u>	<u>683,754</u>
Fund Cash Balances, December 31:					
Non-spendable	200,000	25,000		30,646	255,646
Restricted		269,000	4,314		273,314
Unassigned (Deficit)	195,222				195,222
Fund Cash Balances, December 31	<u>\$395,222</u>	<u>\$294,000</u>	<u>\$4,314</u>	<u>\$30,646</u>	<u>\$724,182</u>

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

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$871,228
Miscellaneous	2,459
Total Operating Cash Receipts	873,687
Operating Cash Disbursements:	
Personal Services	247,667
Employee Fringe Benefits	118,911
Contractual Services	213,727
Supplies and Materials	92,284
Other	3,054
Total Operating Cash Disbursements	675,643
Operating Income (Loss)	198,044
Non-Operating Receipts (Disbursements):	
Intergovernmental	40,000
Sale of Notes	100,000
Capital Outlay	(194,877)
Principal Retirement	(51,026)
Interest and Other Fiscal Charges	(2,628)
Other Financing Uses	(12,175)
Total Non-Operating Receipts (Disbursements)	(120,706)
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	77,338
Transfers In	1,997
Net Change in Fund Cash Balances	79,335
Fund Cash Balances, January 1	446,181
Fund Cash Balances, December 31	\$525,516

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

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 and recycling services, park operations, fire and police services, and cemetery operations.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

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.

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:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle 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.

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

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

OPWC Columbus Street Project – This fund receives grant and loan proceeds from Ohio Public Works Commission, Issue II Monies. The proceeds are being used for road repairs and construction.

4. 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.

5. 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.

Garbage/Rubbish Collection Fund – This fund receives charges for the provisions of garbage and recycling services to the residents and commercial users within the Village.

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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

VILLAGE OF WEST LIBERTY
LOGAN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also 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 canceled, and re-appropriated in the subsequent year.

A summary of 2011 and 2012 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.

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.

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 a percentage of their unused sick 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:

	2012	2011
Demand deposits	\$1,048,943	\$1,024,698
Certificates of deposit	225,000	225,000
Total deposits and investments	\$1,273,943	\$1,249,698

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

3. BUDGETARY ACTIVITY

2012 Budgeted vs. Actual receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 451,750	\$ 439,576	(\$12,174)
Special Revenue	245,050	194,431	(50,619)
Capital Projects			
Enterprise	828,500	908,542	80,042
Permanent	500	173	(327)
Total	\$1,525,800	\$1,542,722	\$16,922

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 620,800	\$ 539,151	\$ 81,649
Special Revenue	303,002	220,889	82,113
Capital Projects			
Enterprise	856,550	758,194	98,356
Permanent	500	243	257
Total	<u>\$1,780,852</u>	<u>\$1,518,477</u>	<u>\$262,375</u>

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 480,750	\$ 495,093	\$ 14,343
Special Revenue	337,250	327,098	(10,152)
Capital Projects	293,330	293,330	
Enterprise	1,134,300	1,013,687	(120,613)
Permanent	500	2,203	1,703
Total	<u>\$2,246,130</u>	<u>\$2,131,411</u>	<u>(\$114,719)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 938,625	\$ 494,992	\$443,633
Special Revenue	397,650	293,028	104,622
Capital Projects	289,016	289,016	
Enterprise	1,118,224	936,349	181,875
Permanent	500	261	239
Total	<u>\$2,744,015</u>	<u>\$2,013,646</u>	<u>\$730,369</u>

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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. DEBT

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2005 Ohio Department of Commerce - Fire Department Loan	\$ 37,350	0%
2011 People's Savings & Loan - Water Tower	89,913	0%
2012 Alley Bank - Water & Sewer Truck	19,282	6%
1998 OPWC CM14A	49,048	0%
1998 OPWC CM631	750	0%
2003 OPWC CM10F	344,117	0%
2008 OPWC CT28L	98,781	0.01%
2011 OPWC CT52N	56,517	0%
	<u>\$695,758</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 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 and is paid monthly in the amount of \$1,068 for 10 years.

The Alley Bank loaned the Village \$29,849 for a Water/Sewer Department truck, paying the dealer directly. The Village will make three yearly payments of \$10,567.16 plus interest.

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 CM631 relates to a sludge management project undertaken by the Village. The loan was issued in 1098 at a 0% interest rate. The OPWC approved a \$10,000 loan to the Village for this project. Semi-annual installments of \$250 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 .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. Semi-annual installments of \$992 are required over a thirty year period.

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>Water Tower</u>	<u>CT28L</u>	<u>CM14A</u>	<u>CM10F</u>	<u>Alley Bank</u>
2013	\$ 12,816	\$ 6,333	\$ 9,810	\$ 29,923	\$10,567
2014	12,816	6,333	9,810	29,923	10,567
2015	12,816	6,333	9,810	29,923	
2016	12,816	6,333	9,810	29,923	
2017	12,816	6,333	9,810	29,923	
2018-2022	46,863	31,665		149,617	
2023-2027		31,665		44,885	
2028-2032		9,498			
Total	<u>\$110,943</u>	<u>\$104,493</u>	<u>\$49,050</u>	<u>\$344,117</u>	<u>\$21,134</u>

<u>Year ending December 31:</u>	<u>CT52N</u>	<u>ODC Fire</u>	<u>CM631</u>
2013	\$ 1,983	\$16,600	\$500
2014	1,983	16,600	250
2015	1,983	4,150	
2016	1,983		
2017	1,983		
2018-2022	9,915		
2023-2027	9,915		
2028-2032	9,915		
2033-2037	9,915		
2038-2042	6,942		
Total	<u>\$56,517</u>	<u>\$37,350</u>	<u>\$750</u>

6. RETIREMENT SYSTEMS

Village full time law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2012, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10% respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

One Council member, the Mayor and twenty fire fighters have elected to pay into Social Security. The Village's liability is 6.2 percent of wages paid.

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. RELATED PARTY TRANSACTIONS

A Village Council Member owns Liberty Oil and Gas, which provides gasoline and vehicle services to the Village. During 2012 and 2011, the amount paid to Liberty Oil and Gas was \$12,868 and \$1,983, respectively.



Dave Yost • Auditor of State

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

Village of 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 Village of West Liberty, Logan County, Ohio, (the Village) as of and for the years ended December 31, 2012 and December 31, 2011, and the related notes to the financial statements, and have issued our report thereon dated May 10, 2013, wherein we noted the Village followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1 B. In addition, we noted that in 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2012-01 and 2012-05-2012-06 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-01 through 2012-04.

Entity'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

May 10, 2013

VILLAGE OF WEST LIBERTY
LOGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND DECEMBER 31, 2011

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

FINDING NUMBER 2012-01

NONCOMPLIANCE AND MATERIAL WEAKNESS

According to Audit Bulletin 1998-013 and the FEMA grant award letter, the Village must establish a separate fund to account for the FEMA activity. They also state that regardless of if the monies were spent before the grant was received a separate restricted fund still must be established. The Council must pass a resolution to establish this fund and additional AoS approval is not needed. For all FEMA money, the correct receipt code to use is one which identifies the money as coming from the federal government.

In 2012, the Village received FEMA grant funds and recorded them as Federal receipts; however they did not establish a separate fund. Adjustments to move receipts and expenditures from the General Fund for \$5,309 and from the Enterprise Fund for \$870 to the Special Revenue - FEMA Grant Fund for a total of \$6,179, have been made to the financial statements.

Not properly accounting for Federal grants could result in misspending by the Village.

A separate fund should be established for future FEMA monies received by the Village to provide for improved accountability of grant funding.

Official's Response:

Moving forward the Village will ensure FEMA money is receipted in a separate FEMA fund.

FINDING NUMBER 2012-02

NONCOMPLIANCE

Ohio Revised Code § 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. There are several exceptions to the standard requirement state above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

**FINDING NUMBER 2012-02
(Continued)**

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority, against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village lacked proper prior certification for 16% of the expenditures or \$17,460 out of \$109,266 examined in 2011 and 2012.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village Fiscal Officer should certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which section 5705.41(D) applies. The Fiscal Officer should sign the certification prior to the Village incurring a commitment, and only when the requirements of 5705.41(D) are satisfied.

Official's Response:

Moving forward the Village will ensure employees are aware of the purchase order procedures.

FINDING NUMBER 2012-03

NONCOMPLIANCE

Ohio Revised Code Section 5705.09 defines the allowable funds that each subdivision should establish.

The Ohio Compliance Supplement Section 1-4 states that if a fund is not authorized under this section, or another Ohio Revised Code section and the entity did not receive Auditor of State approval to establish the fund, propose the necessary findings for adjustment to remove the unauthorized fund(s) and place the activity in the General Fund or other appropriate fund.

During fiscal year 2011 the Village established fund number 2012 - Street Construction, Maintenance and Repair. In fiscal year 2012 the Village transferred \$6,285 from fund number 2011 - Street Construction, Maintenance and Repair to fund number 2012 - Street Construction, Maintenance and Repair. The transferred money was all scrap metal revenue collected by the Street/Garbage employees. During their normal work hours, while on their regular trash pickup route, the employees turned in any metal collected to recycling for cash. This cash was then brought to the Fiscal Officer for depositing and posting. The Village also deposited \$312 of scrap metal revenue into fund number 2012 - Street Construction, Maintenance and Repair as charges for services receipts and then purchased a lawn mower in the amount of \$5,960 for the Street Department out of this fund. Per additional information obtained by the Fiscal Officer, she set up this additional special revenue fund to track the scrap metal revenue

**FINDING NUMBER 2012-03
(Continued)**

separately and use it as the Street/Garbage employees seen fit. Approval to open this fund was not obtained by the Auditor of State Office as required, nor did the purpose fit the requirements for a new fund per AOS Bulletin 1999-006. It is the policy of the Auditor of State to refuse requests when approval would result in giving readers of financial statements the false impression that the use of the resources in the fund is restricted. Scrap metal receipts were not deemed a restricted source of income. These receipts and expenditures were adjusted to the General Fund on the Financial Statements. Due to the cash basis presentation, the transfer in and transfer out between the two special revenue funds was removed from the financial statements and does not affect the fund balance.

Failure to properly obtain approving for establishing new funds could result in unallowable funds and/or public monies not being properly accounted for. This could also lead to incorrect financial information being presented to the Council.

We recommend that the Village obtain Auditor of State approval, when required, before creating any new funds. We further recommend that all scrap metal receipts be posted as miscellaneous revenue in the General Fund.

Official's Response:

Moving forward the Village will receipt all scrap metal revenue into the General Fund.

FINDING NUMBER 2012-04

NONCOMPLIANCE

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Village paid an employee \$1,963.65 for accrued vacation leave upon retirement. Section 2.08 of the Village policy manual did not allow for accumulated vacation leave to be paid out. Also, the Village Council did not pass a resolution prior to the payments being made, which was a procedural error by Council. On April 22, 2013, Council passed a resolution stating that they retroactively authorize the payment.

Failure to follow Council approved policies, could result in misspending of public monies.

The Village should follow its approved policies and any deviations from Council approved policies should first be reviewed, and if legally acceptable, be timely approved by resolution.

Official's Response:

In the future there will be no payouts for vacation and personal leave as the Village policy states.

FINDING NUMBER 2012-05

MATERIAL WEAKNESS

Financial Reporting

Sound financial reporting is the responsibility of the Fiscal Officer, Mayor and Village Council. It is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the December 31, 2012 financial statements and accounting records:

1. General Fund reclassification of \$15,289 to security of persons and property from transfers out due to incorrectly posting expenditures as transfers out.
2. Special Revenue Fund reclassification of \$28,467 to charges for services from miscellaneous due to incorrectly posting rent revenue.
3. Special Revenue Fund reclassification of \$7,302 to security of persons and property from transfers out due to incorrectly posting expenditures as transfers out.
4. Enterprise Fund reclassification of \$47,194 to charges for services from special assessments due to incorrectly posting utility deposits.
5. Enterprise Fund reclassification of \$120,000 to charges for services from other debt proceeds due to incorrectly posting utility deposits.
6. Enterprise Fund reclassification of \$5,977 to interest and fiscal charges from principal retirement due to incorrectly posting interest payments on debt as principal payments.
7. Creation of Special Revenue - Federal Emergency Management Agency (FEMA) fund; see Finding 2012-01 for adjustments made to General, Special Revenue, and Enterprise Funds.
8. Elimination of Special Revenue Fund 2012 due to no AOS approval and unnecessary creation; see Finding 2012-03 for adjustments made to General and Special Revenue Funds.

The following audit adjustments and reclassifications were made to the December 31, 2011 financial statements and accounting records:

1. Creation of Capital Projects Fund to record and adjust Issue II monies received for the Columbus Street Project from Ohio Public Works Commission (OPWC); see Finding 2012-06 for adjustments made
- 2.. General Fund equity reclassification of \$100,000 to non-spendable from unassigned due to the balance being a certificate of deposit investment.
3. Special Revenue Fund reclassification of \$49,997 to charges for services from miscellaneous due to incorrectly posting farm rent revenue.
4. Special Revenue Fund reclassification of \$132,812 to charges for services from intergovernmental due to incorrectly posting Adriel School receipts and Emergency Medical Squad receipts.
5. Enterprise Fund reclassification of \$42,342 to charges for services from special assessments due to incorrectly posting utility deposits.

**FINDING NUMBER 2012-05
(Continued)**

6. Enterprise Fund reclassification of \$120,000 to charges for services from other debt proceeds due to incorrectly posting utility deposits.
7. Enterprise Fund reclassification of \$40,000 to intergovernmental from special assessments due to incorrectly posting a safety grant receipt.
8. Enterprise Fund reclassification of \$100,000 to sale of notes from special assessments due to incorrectly posting note proceeds.
9. Enterprise Fund reclassification of \$2,628 to interest and fiscal charges from principal retirement due to incorrectly posting interest payments on debt as principal payments.

The following re-classifications were inconsequential to the overall financial statements of the Village and was not posted to the December 31, 2012 financial statements.

1. General Fund re-classification of \$17,505 to intergovernmental from property tax due to incorrectly posting of homestead and rollback taxes.
2. General Fund equity reclassification of \$11,490 to assigned from unassigned due to encumbrances being incorrectly classified.
3. General Fund reclassification of \$16,186 to intergovernmental from charges for services due to incorrectly posting homestead and rollback taxes.
4. Special Revenue Fund reclassification of \$692 to miscellaneous from charges for services due to incorrectly posting scrap metal revenue.
5. Enterprise Fund reclassification of \$10,567 to principal retirement from other financing uses due to incorrectly posting debt payments.

The following re-classifications were inconsequential to the overall financial statements of the Village and was not posted to the December 31, 2011 financial statements.

1. General Fund re-classification of \$16,590 to property tax from charges for services due to incorrectly posting a tax receipt.
2. General Fund re-classification of \$16,582 to intergovernmental from property taxes due to incorrectly posting a homestead and rollback tax receipt.
3. Special Revenue Fund reclassification of \$1,329 to miscellaneous from charges for services due to incorrectly posting scrap metal receipts.

Not recording transactions properly resulted in the Village not accurately reporting its financial activity.

The reclassifications and adjustments identified during the audit should be reviewed by the Fiscal Officer to ensure that similar errors are not recorded in the accounting records and reported on the financial statements in subsequent years. In addition, the Village Council should review the financial statements to identify and correct errors and omissions.

Official's Response:

As requested, all funds have been adjusted.

FINDING NUMBER 2012-06

MATERIAL WEAKNESS

Capital Projects Fund

Per Audit Bulletin 2002-004 all local governments participating in Issue 2 Funds must, for each project awarded, establish a capital projects fund to account for both the Issue 2 monies and local matching funds. The purpose of the fund is to account for the related revenues and expenditures to the extent the local government has received benefits from the project. In a case where monies available from other funds will be used to meet matching requirements, the local government shall transfer these monies, providing statutory authority exists for the transfer of the monies, to the capital projects fund. If the authority does not exist for the transfer of monies to the capital projects fund, then the local governments shall appropriate and expend its matching requirements directly from the other fund if lawfully permitted. It is the local government's responsibility to establish the appropriate account codes to segregate these expenditures from the other expenditures of the fund. Segregation of these expenditures is essential in demonstrating compliance with the matching requirement.

During 2011, the Village received an Issue II monies grant and a loan from Ohio Public Works Commission (OPWC); however, it did not open a capital projects fund. The accompanying financial statements have been adjusted to post all project activity to this fund.

Of the grant portion amount received, \$175,077, the Village only recorded \$32,705 in the General Fund. The unrecorded amount of \$142,372 was an on behalf payment from OPWC directly to the vendor. These amounts should have also been recorded as a memo receipts in intergovernmental revenue. The Village did not record the loan proceeds and the respective direct payments made to the vendor in the amount of \$59,492. The Village also did not record the expenditures made on its behalf by OPWC in the amount of \$201,864. These amounts should have been recorded as memo expenditures. The accompanying financial statements have been updated accordingly.

The Village also requested reimbursement from its portion of sales tax held at Logan County to assist with this project. However, the reimbursement request letter stated that the Village had paid Levan's Excavating \$58,760. Per review of the 2011 check register the Village only paid Levan's Excavating a total of \$53,660 during the year. The Village should ensure it is only requesting reimbursements for actual amounts paid.

The Village potentially risked future funding by not properly accounting for State and Local monies from the Auditor of State, Ohio Public Works Commission and Logan County.

The Village should implement procedures to properly account for and report Issue II and OPWC monies.

Official's Response:

The Village utilized the remaining balance of sales tax money received from Logan County toward the Columbus Street paving project.

**VILLAGE OF WEST LIBERTY
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Noncompliance/Material Weakness: Ohio Revised Code Section 5705.41 (D) failure to prior certify	Partial	Comment will be repeated as Finding 2012-02
2010-02	Noncompliance/Material Weakness: Ohio Revised Code Section 5705.36 (A)(4) appropriations exceeded actual resources	Yes	
2010-03	Material Weakness: Financial Reporting	No	Comment will be repeated as Findings 2012-005
2010-04	Noncompliance: 26 CFR 1.6041-1 failure to issue 1099 forms	No	Comment will be repeated in separate letter to management

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Dave Yost • Auditor of State

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
JULY 9, 2013**