

**LIBERTY TOWNSHIP
HENRY COUNTY
Regular Audit
For the Years Ended December 31, 2012 and 2011**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Trustees
Liberty Township
S-395 County Road 9
Liberty Center, Ohio 43532-9709

We have reviewed the *Independent Auditor's Report* of the Liberty Township, Henry County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Liberty Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

September 24, 2013

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**LIBERTY TOWNSHIP
HENRY COUNTY**

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INDEPENDENT AUDITOR'S REPORT

July 26, 2013

Liberty Township
Henry County
S-395 County Road 9
Liberty Center, Ohio 43532-9709

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of **Liberty Township**, Henry County, (the Township) 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 fair 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 Township'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 Township'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 Township 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 1B 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 Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Liberty Township, Henry County, as of 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 1B.

Emphasis of Matter

As discussed in Note 1F to the financial statements, during 2011 the Township 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 July 26, 2013, on our consideration of the Township'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 Township's internal control over financial reporting and compliance.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**LIBERTY TOWNSHIP
HENRY COUNTY**

**COMBINED STATEMENT 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>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 14,946	\$ 62,761	\$ 57,291	\$ 134,998
Charges for Services	-	79,882	-	79,882
Licenses, Permits and Fees	26,622	950	-	27,572
Intergovernmental	56,273	183,747	7,064	247,084
Earnings on Investments	2,627	1,268	-	3,895
Miscellaneous	72	3,539	-	3,611
<i>Total Cash Receipts</i>	<u>100,540</u>	<u>332,147</u>	<u>64,355</u>	<u>497,042</u>
Cash Disbursements				
Current:				
General Government	87,359	11,493	1,722	100,574
Public Safety	-	117,386	-	117,386
Public Works	-	80,543	-	80,543
Health	-	3,321	-	3,321
Conservation-Recreation	-	7,393	-	7,393
Capital Outlay	-	27,754	-	27,754
Debt Service:				
Principal Retirement	-	45,426	46,000	91,426
Interest and Fiscal Charges	-	2,307	13,592	15,899
<i>Total Cash Disbursements</i>	<u>87,359</u>	<u>295,623</u>	<u>61,314</u>	<u>444,296</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>13,181</u>	<u>36,524</u>	<u>3,041</u>	<u>52,746</u>
Other Financing Receipts (Disbursements)				
Transfers In	-	13,500	-	13,500
Transfers Out	(13,500)	-	-	(13,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(13,500)</u>	<u>13,500</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(319)	50,024	3,041	52,746
<i>Fund Cash Balances, January 1</i>	<u>240,245</u>	<u>438,304</u>	<u>6,644</u>	<u>685,193</u>
Fund Cash Balances, December 31				
Restricted	-	488,328	9,685	498,013
Unassigned	239,926	-	-	239,926
<i>Fund Cash Balances, December 31</i>	<u>\$ 239,926</u>	<u>\$ 488,328</u>	<u>\$ 9,685</u>	<u>\$ 737,939</u>

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

**LIBERTY TOWNSHIP
HENRY 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>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 28,181	\$ 59,926	\$ 54,735	\$ 142,842
Charges for Services	-	52,750	-	52,750
Licenses, Permits and Fees	25,846	1,560	-	27,406
Intergovernmental	39,498	201,778	6,580	247,856
Earnings on Investments	2,421	1,159	-	3,580
Miscellaneous	63	4,608	-	4,671
<i>Total Cash Receipts</i>	<u>96,009</u>	<u>321,781</u>	<u>61,315</u>	<u>479,105</u>
Cash Disbursements				
Current:				
General Government	92,402	11,115	1,716	105,233
Public Safety	-	118,622	-	118,622
Public Works	1,308	102,487	-	103,795
Health	-	5,977	-	5,977
Conservation-Recreation	-	6,969	-	6,969
Capital Outlay	3,626	47,488	-	51,114
Debt Service:				
Principal Retirement	-	43,613	44,430	88,043
Interest and Fiscal Charges	-	4,120	15,423	19,543
<i>Total Cash Disbursements</i>	<u>97,336</u>	<u>340,391</u>	<u>61,569</u>	<u>499,296</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,327)</u>	<u>(18,610)</u>	<u>(254)</u>	<u>(20,191)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	-	3,000	-	3,000
Transfers In	-	20,000	-	20,000
Transfers Out	(20,000)	-	-	(20,000)
Advances In	14,200	14,200	-	28,400
Advances Out	(14,200)	(14,200)	-	(28,400)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(20,000)</u>	<u>23,000</u>	<u>-</u>	<u>3,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(21,327)</u>	<u>4,390</u>	<u>(254)</u>	<u>(17,191)</u>
<i>Fund Cash Balances, January 1</i>	<u>261,572</u>	<u>433,914</u>	<u>6,898</u>	<u>702,384</u>
Fund Cash Balances, December 31				
Restricted	-	438,304	174	438,478
Committed	-	-	6,470	6,470
Unassigned	240,245	-	-	240,245
<i>Fund Cash Balances, December 31</i>	<u>\$ 240,245</u>	<u>\$ 438,304</u>	<u>\$ 6,644</u>	<u>\$ 685,193</u>

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

**LIBERTY TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 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 Liberty Township, Henry County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The organization is:

Public Entity Risk Pool:

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members").

The Township's management believes these financial statements present all activities for which the Township 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 Township 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

The Township'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 Township values certificates of deposit at cost.

D. Fund Accounting

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

**LIBERTY TOWNSHIP
HENRY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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 specific purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining, and repairing Township roads.

Fire District Fund - This fund receives property tax money and fire and emergency medical service contract revenues for maintaining fire and rescue department services, equipment, and vehicles.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

Miscellaneous Debt Service Fund - This fund receives property tax money for repaying debt used to finance construction of the new fire station.

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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

**LIBERTY TOWNSHIP
HENRY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio Law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

In 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which had no effect on fund balances. Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township 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 it is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend 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.

**LIBERTY TOWNSHIP
HENRY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (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 Township Trustees or a Township 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 Township 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 Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED DEPOSITS

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

	<u>2012</u>	<u>2011</u>
Demand deposits	\$ 437,939	\$ 385,193
Certificates of Deposit	300,000	300,000
Total Deposits	<u>\$ 737,939</u>	<u>\$ 685,193</u>

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

**LIBERTY TOWNSHIP
HENRY COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 83,426	\$ 100,540	\$ 17,114
Special Revenue	368,620	345,647	(22,973)
Debt Service	71,808	64,355	(7,453)
Total	\$ 523,854	\$ 510,542	\$ (13,312)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 116,877	\$ 100,859	\$ 16,018
Special Revenue	409,544	295,623	113,921
Debt Service	61,011	61,314	(303)
Total	\$ 587,432	\$ 457,796	\$ 129,636

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 105,526	\$ 96,009	\$ (9,517)
Special Revenue	372,484	344,781	(27,703)
Debt Service	61,905	61,315	(590)
Total	\$ 539,915	\$ 502,105	\$ (37,810)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 99,829	\$ 117,336	\$ (17,507)
Special Revenue	425,563	340,391	85,172
Debt Service	61,847	61,569	278
Total	\$ 587,239	\$ 519,296	\$ 67,943

**LIBERTY TOWNSHIP
HENRY COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, the trustees salaries' were allocated to the Gasoline Tax Fund, \$9,002 in 2011 and \$10,717 in 2012 and the Fire District Fund \$8,145 in 2011 without documentation to support the salary allocations to these funds. Also contrary to Ohio law, a portion of the Fiscal Officer's salary was allocated to the Fire District Fund, \$2,839 in 2011 and \$354 in 2012. Also contrary to Ohio law, health insurance reimbursements for the Fiscal Officer were allocated to the Gasoline Tax Fund, \$341 in 2011 and \$715 in 2012 and to the Fire District Fund \$220 in 2012. Health insurance reimbursements for the Trustees were allocated to the Gasoline Tax Fund, \$4,659 in 2011 and \$6,913 in 2012 and the Fire District Fund, \$1,580 in 2011. Also contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$17,507 for the year ended December 31, 2011.

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Township.

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 Township.

5. DEBT

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>
2006 Fire Truck	31,341
2003 Fire Station	<u>199,974</u>
	<u>\$ 231,315</u>

The Township took out debt in the amount of \$290,000 in 2006 for seven years with monthly payments of \$3,977.79 with Henry County Bank for a fire truck.

The Township took out debt in the amount of \$800,000 in 2003 for eighteen years with semi-annual payments of \$19,048.51 with Henry County Bank for a fire station.

**LIBERTY TOWNSHIP
HENRY COUNTY**

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

5. DEBT (Continued)

We noted that the prior report outstanding balance of \$290,960 for the Fire Station was incorrect. The correct outstanding balance as of the end of 2010 was actually \$290,997.

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

	2006	2003
Year ending December 31:	<u>Fire Truck</u>	<u>Fire Station</u>
2013	32,625	38,097
2014	-	38,097
2015	-	38,097
2016	-	38,097
2017	-	38,097
2018-2021	-	115,985
Total	<u>\$ 32,625</u>	<u>\$ 306,470</u>

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10.0% of their gross salaries, and the Township contributed an amount equaling 14.0% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2012.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**LIBERTY TOWNSHIP
HENRY COUNTY**

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

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010 (the latest information available).

	<u>2011</u>	<u>2010</u>
Assets	\$12,501,280	\$12,036,541
Liabilities	<u>(5,328,761)</u>	<u>(4,845,056)</u>
Members' Equity	<u>\$7,172,519</u>	<u>\$7,191,485</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

8. WASTEWATER DISCHARGE ASSESSMENT AGREEMENT

On April 1, 1996, the Township entered into an agreement (the Agreement) with Worthington Industries, Inc. and North Star BHP Steel Ltd (the Companies). The Agreement allows for the construction and usage of an industrial discharge line from the Companies, located in York Township, Fulton County, to the Maumee River, which runs through the County Road 10 right of way in York Township, Fulton County, and Liberty Township, Henry County.

The term of the Agreement is 20 years or as long as the industrial discharge line is used by the Companies, or either of them, whichever period is less. At the end of the 20 year term, the Companies may continue to use the industrial discharge line without further assessment unless a new assessment is mutually agreed to by the parties.

**LIBERTY TOWNSHIP
HENRY COUNTY**

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

(Continued)

8. WASTEWATER DISCHARGE ASSESSMENT AGREEMENT (Continued)

In consideration of the rights given under the Agreement, the Companies agreed to pay the Township an initial annual usage assessment fee of \$20,000. The annual fee is increased each year by an amount equal to the increase in the Consumer Price Index (CPI) or \$500, whichever is greater. The annual usage assessment fee is due by May 1 each year. The amounts received are recorded in the General Fund as licenses, fees and permits.

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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***

July 26, 2013

Liberty Township
Henry County
S-395 County Road 9
Liberty Center, Ohio 43532-9709

To the Board of Trustees:

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 **Liberty Township**, Henry County, Ohio, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated July 26, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits and has adopted Governmental Accounting Standards Board Statement No. 54.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township'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 Township'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 audit 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 Township's financial statements. We consider findings 2012-001 through 2012-003 described in the accompanying schedule of audit findings to be material weaknesses.

Liberty Township
Henry County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
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Compliance and Other Matters

As part of reasonably assuring whether the Township'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 four instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2012-002 through 2012-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 26, 2013.

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 Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**LIBERTY TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Material Weakness

Posting Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

Receipts and disbursements were not always posted correctly. The following posting errors were noted:

- Licenses, Permits and Fees receipts were recorded as Miscellaneous receipts in the General Fund in 2012 and 2011. Also, a Licenses, Permits and Fees receipt was recorded as an Other Financing Sources receipt in the Park Levy Fund in 2011.
- Intergovernmental receipts were recorded as Other Financing Sources receipts in the Fire District Fund in 2012 and 2011.
- Capital Outlay disbursements were recorded as Public Safety disbursements in the Fire District Fund in 2012 and 2011. Also, a Capital Outlay disbursement was recorded as a Public Works disbursement in the Gasoline Tax Fund in 2012.
- A Public Works disbursement was recorded as an Other Financing Uses disbursement in the General Fund in 2011.
- Investment earnings were recorded in the Miscellaneous Debt Service Fund instead of the General Fund in 2012 and 2011.

Not posting receipts and disbursements accurately resulted in the financial statements requiring several reclassifications and adjustment entries. The Township has agreed with and posted the adjustments to the accounting system. The financial statements reflect all reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

Management's Response – We did not receive a response from officials to this finding.

**LIBERTY TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2012-002

Noncompliance/Material Weakness

Ohio Revised Code, §505.24(C), sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-006. This section requires that compensation of a township trustee must be paid from the Township General fund or from such other township funds, in such proportions as the Board may specify by resolution. In addition, trustees are to establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation.

The following salaries amounts paid to the Trustees were allocated to the Gasoline Tax and Fire funds. There was no documentation provided by the Trustees to support the salary allocations to these funds.

During 2011 and 2012, the Fiscal Officer apportioned Trustees' salaries to the General, Gasoline Tax, and Fire District Funds. There was no documentation provided by Trustees during 2011 and 2012 to support the salary allocations to funds other than the General fund. As a result, the Gasoline Tax fund was incorrectly charged \$9,002 in 2011 and \$10,717 in 2012, and the Fire District fund was incorrectly charged \$8,145 in 2011. These amounts should be allocated to the General fund, \$17,147 in 2011 and \$10,717 in 2012.

We recommend all Trustees' salaries be paid according to administrative procedures established to document the proportionate amount of trustees' salaries chargeable to other township funds.

As a result, adjustments were made in order to fairly present the annual financial statements. The financial statements reflect these adjustments and all adjustments have been made to the Township's accounting system.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2012-003

Noncompliance/Material Weakness

Ohio Revised Code, § 5705.10 (H), states that money paid into any fund shall be used only for the purpose for which such fund is established. The Gasoline Tax Fund receives monies which are to be used for the purpose of construction, maintenance and repair of Township roads. The Fire District Fund receives proceeds from a property tax levy approved to the purpose of providing and maintaining fire apparatus and appliances.

**LIBERTY TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2012-003 (Continued)

Ohio Revised Code, § 5705.10 (H) (Continued)

Health insurance reimbursements for the Fiscal Officer were allocated to the Gasoline Tax Fund \$341 in 2011 and \$715 in 2012 and to the Fire District Fund \$220 in 2012. Health insurance reimbursements for the Trustees were allocated to the Gasoline Tax Fund \$4,659 in 2011 and \$6,913 in 2012 and the Fire District Fund \$1,580 in 2011. The monies in these funds are restricted for particular uses. Since the Trustees did not provide documentation to support salary amounts charged to funds, the allocation of health insurance reimbursements is not consistent with the purpose for which funds were established.

In addition, a portion of the Fiscal Officer's salary was allocated to the Fire District Fund \$2,839 in 2011 and \$354 in 2012.

Adjustments were recorded to the Township's financial statements and accounting records moving these allocations to the General Fund.

We recommend the Fiscal Officer record health insurance reimbursements and the Fiscal Officer's salary to the General Fund.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2012-004

Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the 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. The certificate need be signed only by the subdivision's Fiscal Officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated 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.

**LIBERTY TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2012-004 (Continued)

Ohio Revised Code Section 5705.41(D) (Continued)

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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority 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 taxing authority.
2. Blanket Certificate – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of 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 entity 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 Township did not properly certify the availability of funds prior to purchase commitment for all expenditures tested during 2012 and 2011. In addition there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also 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 Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

**LIBERTY TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)**

FINDING NUMBER 2012-004 (Continued)

Ohio Revised Code Section 5705.41(D) (Continued)

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2012-005

Noncompliance

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2011 in the General Fund by \$17,507.

We recommend the Fiscal Officer modify appropriations with the Board of Trustees and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

Management's Response – We did not receive a response from officials to this finding.

**LIBERTY TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	ORC § 505.24(C) Noncompliance Citation / Material Weakness – No Documentation Provided by Trustees to Support Salary Allocations to Funds Other than the General Fund	No	Not Corrected, Repeated as Finding 2012-002.
2010-002	ORC § 5705.10(H) Noncompliance Citation / Material Weakness – Health Insurance Reimbursements and Fiscal Officer’s Salary Paid to Funds Other than the General Fund without Supporting Documentation	No	Not Corrected, Repeated as Finding 2012-003.
2010-003	Material Weakness / Financial Reporting – Posting Receipts	No	Not Corrected, Repeated as Finding 2012-001.
2010-004	ORC § 5705.41(D) Noncompliance Citation – None of the Transactions Tested were Certified by the Fiscal Officer	No	Not Corrected, Repeated as Finding 2012-004.
2010-005	ORC § 5705.41(B) Noncompliance Citation – Expenditures Exceeded Appropriations	No	Not Corrected, Repeated as Finding 2012-005.

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Dave Yost • Auditor of State

LIBERTY TOWNSHIP

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 8, 2013**