



Certified Public Accountants, A.C.

**LIBERTY TOWNSHIP
HARDIN COUNTY
Regular Audit
For the Years Ended December 31, 2017 and 2016**

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Marietta, OH 45750
740.373.0056

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Vienna, WV 26105
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OHIO AUDITOR OF STATE KEITH FABER



Board of Trustees
Liberty Township
PO Box 327 110 E. Buckeye Avenue
Ada, OH 45810

We have reviewed the *Independent Auditor's Report* of the Liberty Township, Hardin County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. 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. Liberty Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 14, 2019

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LIBERTY TOWNSHIP
HARDIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2017	3
Statement of Receipts, Disbursements and Changes in Fund Balance (Regulatory Cash Basis) – Private Purpose Trust Fund - For the Year Ended December 31, 2017	4
Notes to the Financial Statements For the Year Ended December 31, 2017	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016	12
Statement of Receipts, Disbursements and Changes in Fund Balance (Regulatory Cash Basis) – Private Purpose Trust Fund - For the Year Ended December 31, 2016	13
Notes to the Financial Statements For the Year Ended December 31, 2016	14
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Audit Findings	23
Schedule of Prior Audit Findings.....	28

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INDEPENDENT AUDITOR'S REPORT

December 31, 2018

Liberty Township
Hardin County
110 E. Buckeye Avenue
Ada, Ohio 45810

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of **Liberty Township**, Hardin County, (the Township) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 opinions.

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

As described in Note 2 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, 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 cash balances, receipts and disbursements by fund type, and related notes of Liberty Township, Hardin County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018, 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.



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

**LIBERTY TOWNSHIP
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 128,320	\$ 81,485	\$ 209,805
Charges for Services	-	36,427	36,427
Licenses, Permits and Fees	-	19,505	19,505
Intergovernmental	32,147	112,504	144,651
Earnings on Investments	599	37	636
Miscellaneous	10,352	6,798	17,150
<i>Total Cash Receipts</i>	<u>171,418</u>	<u>256,756</u>	<u>428,174</u>
Cash Disbursements			
Current:			
General Government	109,296	1,863	111,159
Public Safety	-	91,814	91,814
Public Works	-	64,733	64,733
Health	-	62,559	62,559
Capital Outlay	-	1,816	1,816
<i>Total Cash Disbursements</i>	<u>109,296</u>	<u>222,785</u>	<u>332,081</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>62,122</u>	<u>33,971</u>	<u>96,093</u>
Other Financing Receipts (Disbursements)			
Transfers In	-	61,823	61,823
Transfers Out	(61,823)	-	(61,823)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(61,823)</u>	<u>61,823</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	<u>299</u>	<u>95,794</u>	<u>96,093</u>
<i>Fund Cash Balances, January 1</i>	<u>324,396</u>	<u>278,826</u>	<u>603,222</u>
Fund Cash Balances, December 31			
Restricted	-	374,620	374,620
Assigned	298,396	-	298,396
Unassigned	26,299	-	26,299
<i>Fund Cash Balances, December 31</i>	<u>\$ 324,695</u>	<u>\$ 374,620</u>	<u>\$ 699,315</u>

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

LIBERTY TOWNSHIP
HARDIN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGE IN FUND BALANCE (REGULATORY CASH BASIS)
PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash Receipts	
Earnings on Investments	<u>\$ 4</u>
<i>Total Cash Receipts</i>	<u>4</u>
<i>Net Change in Fund Cash Balance</i>	<u>4</u>
<i>Fund Cash Balance, January 1</i>	<u>13,030</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$ 13,034</u></u>

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

LIBERTY TOWNSHIP
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Liberty Township, Hardin County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township also has an elected Township fiscal officer. The Township provides general government services, road and bridge maintenance, cemetery maintenance, and fire services to the Township. The Township is a member of the Ada Liberty Joint Ambulance District which provides medical services to the Township.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in two jointly governed organizations and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 9 and 7 to the financial statements provide additional information to these entities. These organizations are:

Jointly Governed Organizations:

Ada-Liberty Joint Ambulance District – provides ambulance services within the Township.

Hardin County Regional Planning Commission – the Commission provides studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County.

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA) – provides property and casualty coverage.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

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

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

LIBERTY TOWNSHIP
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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 Township had the following significant Special Revenue Funds:

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

Cemetery Fund This fund receives money from various charges and the sale of lots to provide services and maintain cemetery grounds.

Fire District Fund This fund receives property tax money and charges for services to provide fire services.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township's private purpose trust funds are for the benefit of certain individuals. The Township had the following significant private purpose trust fund:

Lacey Trust Fund This fund receives interest money to pay for the maintenance of the Lacey family lot and perpetual care.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2017 budgetary activity appears in Note 4.

LIBERTY TOWNSHIP
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Deposits and Investments

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's investment in STAR Ohio (the State Treasurer's Investment Pool) is valued at amounts reported by the State Treasurer.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

Committed 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.

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.

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.

LIBERTY TOWNSHIP
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 3 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the Cemetery Fund by \$28,350 for year ended December 31, 2017. Also contrary to Ohio Law, General Fund and Cemetery Fund expenditures exceeded appropriations by \$35,804 and \$11,143, respectively.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 144,519	\$ 171,418	\$ 26,899
Special Revenue	251,919	318,579	66,660
Private Purpose Trust	14	4	(10)
Total	\$ 396,452	\$ 490,001	\$ 93,549

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 135,616	\$ 171,420	\$ (35,804)
Special Revenue	283,313	246,810	36,503
Private Purpose Trust	325	-	325
Total	\$ 419,254	\$ 418,230	\$ 1,024

Note 5 – Deposits and Investments

The Township maintains a deposit 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:

	2017
Demand deposits	\$ 656,934
Savings account	30,493
Total deposits	687,427
STAR Ohio	24,922
Total investments	24,922
Total deposits and investments	\$ 712,349

Deposits

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

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

LIBERTY TOWNSHIP
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 6 – Property Taxes

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.

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

Note 7 - Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

LIBERTY TOWNSHIP
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 7 - Risk Management (Continued)

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$8,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

2017 Contributions to OTARMA
\$18,025

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Note 9 – Jointly Governed Organizations

A. Hardin County Regional Planning Commission

The Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised to twenty-seven members, any of which may hold any other public office. The Township is represented by one member. A Board consisting of Hardin County and municipalities and townships within the County governs the Commission. The degree of control exercised by any participating government is limited to its representation on the Board.

The Commission makes studies, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

LIBERTY TOWNSHIP
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 9 – Jointly Governed Organizations (Continued)

B. Ada-Liberty Joint Ambulance District

A three-member Board of Trustees governs the District. The Board of Trustees consists of one member appointed by each subdivision plus one member appointed by the other two members. Those subdivisions are the Village of Ada and Liberty Township in Hardin County.

The District provides emergency medical services within the District and by contract to areas outside the District. Financial information can be obtained from Nancy Bucher, Fiscal Officer, 530 North Gilbert Street, Ada, Ohio 45810.

Note 10 – Transfers

During 2017, the following transfers were made:

	Transfers In	Transfers Out
1000 General Fund	\$ -	\$ (61,823)
2041 Cemetery Fund	61,823	-
	\$ 61,823	\$ (61,823)

During 2017, the Township transferred money from the General Fund to the Cemetery Fund. These transfers were determined to be appropriate and in compliance with the Ohio Revised Code requirements.

**LIBERTY TOWNSHIP
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 126,547	\$ 80,276	\$ 206,823
Charges for Services	-	19,342	19,342
Licenses, Permits and Fees	-	21,986	21,986
Intergovernmental	31,839	99,223	131,062
Earnings on Investments	745	49	794
Miscellaneous	1,790	25,109	26,899
<i>Total Cash Receipts</i>	160,921	245,985	406,906
Cash Disbursements			
Current:			
General Government	99,092	1,727	100,819
Public Safety	-	121,318	121,318
Public Works	-	80,575	80,575
Health	-	35,372	35,372
Capital Outlay	-	10,382	10,382
<i>Total Cash Disbursements</i>	99,092	249,374	348,466
<i>Excess of Receipts Over (Under) Disbursements</i>	61,829	(3,389)	58,440
Other Financing Receipts & Disbursements			
Transfers In	-	10,000	10,000
Transfers Out	(10,000)	-	(10,000)
<i>Total Other Financing Receipts & Disbursements</i>	(10,000)	10,000	-
<i>Net Change in Fund Cash Balances</i>	51,829	6,611	58,440
<i>Fund Cash Balances, January 1 (Restated See Note 11)</i>	272,567	272,215	544,782
Fund Cash Balances, December 31			
Restricted	-	298,972	298,972
Assigned	2,246	-	2,246
Unassigned (Deficit)	322,150	(20,146)	302,004
<i>Fund Cash Balances, December 31</i>	\$ 324,396	\$ 278,826	\$ 603,222

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

LIBERTY TOWNSHIP
HARDIN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGE IN FUND BALANCE (REGULATORY CASH BASIS)
PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash Receipts	
Earnings on Investments	<u>\$ 18</u>
<i>Total Cash Receipts</i>	<u>18</u>
<i>Net Change in Fund Cash Balance</i>	<u>18</u>
<i>Fund Cash Balance, January 1</i>	<u>13,012</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$ 13,030</u></u>

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

LIBERTY TOWNSHIP
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

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Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in two jointly governed organizations and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 9 and 7 to the financial statements provide additional information to these entities. These organizations are:

Jointly Governed Organizations:

Ada-Liberty Joint Ambulance District – provides ambulance services within the Township.

Hardin County Regional Planning Commission – the Commission provides studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County.

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA) – provides property and casualty coverage.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

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

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

LIBERTY TOWNSHIP
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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 Township had the following significant Special Revenue Funds:

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

Cemetery Fund This fund receives money from various charges and the sale of lots to provide services and maintain cemetery grounds.

Fire District Fund This fund receives property tax money and charges for services to provide fire services.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township's private purpose trust funds are for the benefit of certain individuals. The Township had the following significant private purpose trust fund:

Lacey Trust Fund This fund receives interest money to pay for the maintenance of the Lacey family lot and perpetual care.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2016 budgetary activity appears in Note 4.

LIBERTY TOWNSHIP
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Deposits and Investments

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's investment in STAR Ohio (the State Treasurer's Investment Pool) is valued at amounts reported by the State Treasurer.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

Committed 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.

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.

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.

LIBERTY TOWNSHIP
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 3 – Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the Cemetery Fund by \$11,924 for year ended December 31, 2016. Also contrary to Ohio Law, Fire District Fund expenditures exceeded appropriations by \$38,698. Also contrary to Ohio law, at December 31, 2016 the Cemetery Fund had a cash deficit balance of (\$20,146).

Note 4 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 134,321	\$ 160,921	\$ 26,600
Special Revenue	299,924	255,985	(43,939)
Private Purpose Trust Fund	23	18	(5)
Total	\$ 434,268	\$ 416,924	\$ (17,344)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 165,042	\$ 111,338	\$ 53,704
Special Revenue	269,695	254,508	15,187
Private Purpose Trust Fund	325	-	325
Total	\$ 435,062	\$ 365,846	\$ 69,216

Note 5 – Deposits and Investments

The Township maintains a deposit 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:

	2016
Demand deposits	\$ 561,097
Savings account	30,447
Total deposits	591,544
STAR Ohio	24,657
Total investments	24,657
Total deposits and investments	\$ 616,201

Deposits

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

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

LIBERTY TOWNSHIP
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 6 – Property Taxes

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.

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

Note 7 - Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

LIBERTY TOWNSHIP
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 7 - Risk Management (Continued)

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$8,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

2016 Contributions to OTARMA
\$17,616

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Note 9 – Jointly Governed Organizations

A. Hardin County Regional Planning Commission

The Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised to twenty-seven members, any of which may hold any other public office. The Township is represented by one member. A Board consisting of Hardin County and municipalities and townships within the County governs the Commission. The degree of control exercised by any participating government is limited to its representation on the Board.

The Commission makes studies, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

LIBERTY TOWNSHIP
HARDIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 9 – Jointly Governed Organizations (Continued)

B. Ada-Liberty Joint Ambulance District

A three-member Board of Trustees governs the District. The Board of Trustees consists of one member appointed by each subdivision plus one member appointed by the other two members. Those subdivisions are the Village of Ada and Liberty Township in Hardin County.

The District provides emergency medical services within the District and by contract to areas outside the District. Financial information can be obtained from Nancy Bucher, Fiscal Officer, 530 North Gilbert Street, Ada, Ohio 45810.

Note 10 – Transfers

During 2016, the following transfer was made:

	Transfers In	Transfers Out
1000 General Fund	\$ -	\$ (10,000)
2041 Cemetery Fund	10,000	-
	\$ 10,000	\$ (10,000)

During 2016, the Township transferred money from the General Fund to the Cemetery Fund. This transfer was determined to be appropriate and in compliance with the Ohio Revised Code.

Note 11 – Prior Period Restatement

The following adjustment is reflected in the January 1, 2016 fund balances:

	General Fund	Special Revenue Funds
December 31, 2015 audited balances	\$ 272,471	\$ 272,731
Adjustment to account for canceled checks and duplicate receipts	96	365
Adjustment to correct 2015 audit fund balance adjustments not posted to UAN until 2017	-	(881)
January 1, 2016 balances	\$ 272,567	\$ 272,215

The Township canceled checks that were outstanding and reissued new checks. The Township also attempted to correct fund balances prior to 2014-2015 audit being completed. Fund balances were corrected once audit was completed.



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

December 31, 2018

Liberty Township
Hardin County
110 E. Buckeye Avenue
Ada, Ohio 45810

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 the cash balances, receipts, and disbursements by fund type of **Liberty Township**, Hardin County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated December 31, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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 and significant deficiencies.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 through 2017-008 to be material weaknesses.

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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 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 2017-003 through 2017-007.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated December 31, 2018.

Entity's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township'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 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.



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

LIBERTY TOWNSHIP
HARDIN COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure information provided to the readers of the financial statements is accurate. "Fund balances should be properly classified based on Governmental Accounting Standards Board (GASB) Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions".

During 2017 and 2016, receipts and fund balances were not always posted or classified correctly. The following errors were noted:

- Homestead and rollback receipts were improperly recorded as property taxes as well as improperly allocated between the General Fund and the Fire District Fund in 2017 and 2016;
- Property tax receipts and related auditor and treasurer fees had to be increased \$2,449 and \$2,382 in the General Fund in 2017 and 2016, respectively;
- Property tax receipts and related auditor and treasurer fees had to be increased \$1,776 and \$1,698 in the Fire District Fund in 2017 and 2016, respectively;
- Donations received from Ohio Northern University in the amount of \$19,845 were recorded as charges for services instead of miscellaneous in the Special Revenue Special Levy Fire Fund;
- Fund balance in the General Fund was not properly classified as Assigned in 2017 due to 2018 appropriations exceeding 2018 estimated resources;
- Outstanding encumbrances in the General Fund were not properly classified as Assigned in 2017 and 2016.

Not posting receipts or classifying fund balances accurately resulted in the financial statements requiring adjustments and reclassifications. The failure to record receipts in the correct fund impacts the users understanding of the available resources in each fund, may result in the illegal disbursement of restricted money, may materially misstate the financial statements, and makes it more difficult to detect irregularities. The Township has made all adjustments to its accounting system. The financial statements reflect all adjustments and reclassifications.

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 the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

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

LIBERTY TOWNSHIP
HARDIN COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-002

Material Weakness

Bank to Book Reconciliations

Monthly bank to book reconciliations are prepared to provide evidence that financial activity per the bank (including investment accounts) has been agreed to the activity per the accounting records. The reconciliations should be prepared as soon as the bank statements are available, should agree to supporting documentation such as bank statements and outstanding check lists, and be presented to the Trustees when completed. Throughout 2017 and 2016 bank to book reconciliations were not prepared timely, did not always agree to supporting documentation, and were not submitted to the Trustees for review. As a result the following errors occurred and were not detected:

- The 2016 reconciliation included an unsupported other adjusting factor in the amount of \$447;
- The UAN system indicated bank to book reconciliations were not prepared during 2016;
- The UAN system indicated regular bank to book reconciliations were not prepared until September for year ended 2017

The failure to prepare and review/monitor the bank-to-book reconciliations in a timely manner permitted reconciling differences to remain undetected and for the presentation of misstated financial statements.

The accompanying financial statements have been adjusted so that the bank to accounting system reconcile.

Bank to book reconciliations should be prepared each month as soon as the bank (and investment) statements are available. Amounts on the reconciliations such as bank, outstanding checks, and other adjusting factors should be agreed to supporting documentation. Unexplained variances should be investigated and resolved. The reconciliations, along with supporting documentation, should be presented to the Trustees each month for review and approval. The review and approval should be noted on the reconciliation and/or the minutes.

Management's Response – I was not Fiscal Officer at most of this time. I reconcile bank statements the beginning of every month.

FINDING NUMBER 2017-003

Noncompliance / Material Weakness

Ohio Rev. Code section 149.351(A) establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law.

During our testing of credit card expenditures in 2017 and 2016, it was determined the Fire Department had flooding in 2018 and was advised by a remediation company to dispose of all paper products not stored in air tight containers. Due to this, there were numerous credit card expenditures that did not have supporting documentation. Unsupported expenditures totaled \$86.34 in 2017 and \$2,853.52 in 2016. Through other methods, we determined the proper public purpose for these expenditures. The amounts of expenditures that the purpose could not be determined totaled \$0.00 in 2017 and \$312.93 in 2016.

LIBERTY TOWNSHIP
HARDIN COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-003 (Continued)

Inadequate supporting documentation eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors and irregularities occurring and not being detected by management in a timely manner. In addition, lack of adequate supporting documentation could result in the Township making inappropriate disbursements for goods or services not actually received by the Township.

We recommend that the Township adhere to Resolution 2016-01 and the Fiscal Officer review all credit card statements prior to payment to ensure that supporting receipts have been provided for each transaction. Transactions without a supporting receipt should be immediately brought to the attention of the Trustees prior to payment. The Trustees should identify which employee is responsible for the transaction(s) without support and hold them accountable for the charges instead of using Township funds to pay statement balance. In addition, all Township employees should be reminded of the requirements outlined in the Township's Credit Card Policy.

Management's Response – I was unaware Fire Dept. threw papers away until after the fact.

FINDING NUMBER 2017-004

Noncompliance / Material Weakness

Ohio Rev. 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 meeting 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. Only the subdivision's fiscal officer need sign the certificate. 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.

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.

LIBERTY TOWNSHIP
HARDIN COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-004 (Continued)

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. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 78% of the expenditures tested for 2017 and for 76% of the expenditures tested for 2016.

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 Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

Management's Response – Purchase Order procedure is more strict now.

FINDING NUMBER 2017-005

Noncompliance / Material Weakness

Ohio Rev. Code Section 5705.39 states, in part, that the total appropriations from each fund should not exceed the total estimated revenue. During 2017 and 2016, the Cemetery fund had appropriations exceeding estimated receipts by \$28,350 and \$11,924, respectively.

Appropriating more money than expected or actually received could lead to negative fund balances and monies being used to cover expenses being charged to inappropriate funds or line items. It could also lead to commitments being made without sufficient funds to pay for those commitments.

Management's Response – I feel this was due to the adjustments the State Auditor had me make from the 14-15 audit.

FINDING NUMBER 2017-006

Noncompliance / Material Weakness

Ohio Revised Code, Section 5705.41(B), provides no subdivision shall make any expenditure of money unless it has been lawfully appropriated. In 2017 and 2016, we noted expenditures exceeding appropriations in the General Fund and the Cemetery Fund.

At December 31, 2017 expenditures exceeded appropriations by \$35,804 in the General Fund. Also, at December 31, 2017 expenditures exceeded appropriations by \$11,143 in the Cemetery Fund.

At December 31, 2016 expenditures exceeded appropriations by \$38,698 in the Fire District Fund.

The budgeting process is an essential monitoring control that, when properly used, reduces the possibility of the Township encountering deficit spending.

LIBERTY TOWNSHIP
HARDIN COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-006 (Continued)

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Management's Response – Again, I think this was due to the adjustments the State Auditor had me do from 14-15 audit.

FINDING NUMBER 2017-007

Noncompliance /Material Weakness

Ohio Rev. Code Section 5705.10(H) provides that money paid into a fund must be used only for purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Cemetery Fund had a negative balance of (\$20,146) at December 31, 2016.

We recommend the Township monitor fund balances and take corrective action and monitor financial activity of the Township.

Management's Response – Adjusted by State Auditor from 14-15 audit.

**LIBERTY TOWNSHIP
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Accuracy of Financial Reporting	Not Corrected	Repeated as Finding 2017-001
2015-002	Bank to Book Reconciliations	Not Corrected	Repeated as Finding 2017-002
2015-003	ORC Section 5705.10(I) – Funds must be used for purposes for which fund was established	Corrected	N/A
2015-004	ORC Section 5705.10(D) – Revenue derived from a source shall be paid into a special fund	Not Corrected	Repeated as Part of Finding 2017-001
2015-005	ORC Section 5705.14(E) – Transfer approval	Corrected	N/A
2015-006	Credit Card purchase support	Not Corrected	Repeated as Finding 2017-003
2015-007	ORC Section 5705.38(A) – Permanent Appropriation Resolution	Corrected	N/A
2015-008	FFR – Credit Card Purchases	N/A	N/A
2015-009	FFR – Healthcare Reimbursements	N/A	N/A

OHIO AUDITOR OF STATE
KEITH FABER



LIBERTY TOWNSHIP

HARDIN 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
MARCH 26, 2019**