



Dave Yost • Auditor of State



LIBERTY TOWNSHIP  
HARDIN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Liberty Township  
Hardin County  
P.O. Box 327  
110 E. Buckeye Avenue  
Ada, Ohio 45810

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Liberty Township, Hardin County, (the Township) as of and for the years ended December 31, 2013 and 2012.

### ***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 opinion.

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

As described in Note 1 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 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, 2013 and 2012, 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, Hardin County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2014, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

August 4, 2014

**LIBERTY TOWNSHIP  
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$81,994	\$70,696	\$84,436	\$237,126
Charges for Services		28,545		28,545
Licenses, Permits and Fees		32,644		32,644
Intergovernmental	99,700	107,719	13,087	220,506
Earnings on Investments	885	93		978
Miscellaneous	13,662	17,000	22,700	53,362
Total Cash Receipts	<u>196,241</u>	<u>256,697</u>	<u>120,223</u>	<u>573,161</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
General Government	93,124	1,267	2,400	96,791
Public Safety		60,672		60,672
Public Works		89,521		89,521
Health	14,421	66,419		80,840
Capital Outlay	10,950	17,603		28,553
<b>Debt Service:</b>				
Principal Retirement			116,437	116,437
Interest and Fiscal Charges			1,386	1,386
Total Cash Disbursements	<u>118,495</u>	<u>235,482</u>	<u>120,223</u>	<u>474,200</u>
Excess of Receipts Over Disbursements	<u>77,746</u>	<u>21,215</u>		<u>98,961</u>
<b>Other Financing Receipts (Disbursements):</b>				
Transfers In		65,043		65,043
Transfers Out	(65,043)			(65,043)
Total Other Financing Receipts (Disbursements)	<u>(65,043)</u>	<u>65,043</u>		
Net Change in Fund Cash Balances	12,703	86,258		98,961
Fund Cash Balances, January 1	<u>278,521</u>	<u>125,298</u>		<u>403,819</u>
<b>Fund Cash Balances, December 31:</b>				
Restricted		211,315		211,315
Unassigned	291,465			291,465
Fund Cash Balances, December 31	<u>\$291,224</u>	<u>\$211,556</u>	<u>\$0</u>	<u>\$502,780</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 (CASH BASIS)  
PRIVATE PURPOSE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

**Cash Receipts:**

Earnings on Investments	\$24
Fund Cash Balance, December 31	<u>12,940</u>
Fund Cash Balance, December 31	<u><u>\$12,964</u></u>

*See accompanying notes to the basic financial statements.*



**LIBERTY TOWNSHIP  
HARDIN 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>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$80,821	\$52,651	\$100,195	\$233,667
Charges for Services		22,588		22,588
Licenses, Permits and Fees		23,938		23,938
Intergovernmental	194,019	99,377	14,260	307,656
Earnings on Investments	700	65		765
Miscellaneous	697	30,838	22,845	54,380
Total Cash Receipts	<u>276,237</u>	<u>229,457</u>	<u>137,300</u>	<u>642,994</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
General Government	94,471	1,260	2,300	98,031
Public Safety		76,268		76,268
Public Works	15,944	97,375		113,319
Health		55,766		55,766
Capital Outlay		50,669		50,669
<b>Debt Service:</b>				
Principal Retirement			129,017	129,017
Interest and Fiscal Charges			5,983	5,983
Total Cash Disbursements	<u>110,415</u>	<u>281,338</u>	<u>137,300</u>	<u>529,053</u>
Excess of Receipts Over (Under) Disbursements	<u>165,822</u>	<u>(51,881)</u>		<u>113,941</u>
<b>Other Financing Receipts (Disbursements):</b>				
Transfers In		61,345		61,345
Transfers Out	(61,345)			(61,345)
Total Other Financing Receipts (Disbursements)	<u>(61,345)</u>	<u>61,345</u>		<u></u>
Net Change in Fund Cash Balances	104,477	9,464		113,941
Fund Cash Balances, January 1	<u>174,044</u>	<u>115,834</u>		<u>289,878</u>
<b>Fund Cash Balances, December 31:</b>				
Restricted		125,298		125,298
Unassigned	278,521			278,521
Fund Cash Balances, December 31	<u>\$278,521</u>	<u>\$125,298</u>	<u>\$0</u>	<u>\$403,819</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 (CASH BASIS)  
PRIVATE PURPOSE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

**Cash Receipts:**

Earnings on Investments	\$2
Fund Cash Balance, December 31	<u>12,938</u>
Fund Cash Balance, December 31	<u><u>\$12,940</u></u>

*See accompanying notes to the basic financial statements.*

**LIBERTY TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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, 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 road and bridge maintenance, cemetery maintenance, and fire services. The Township is a member of Ada Liberty Joint Ambulance District which provides emergency medical services to the Township.

The Township participates in two jointly governed organizations and the Ohio Township Association Risk Management Authority (OTARMA). Notes 7 and 8 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Ada-Liberty Joint Ambulance District Board which provides ambulance services within the District.

Hardin County Regional Planning Commission which makes 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 for its 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 and Investments**

The Township's accounting basis includes investments as assts. 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.

**LIBERTY TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**Gasoline Tax Fund** - This fund receives gasoline tax money to pay 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 pay for township and to provide fire services.

**3. Debt Service Funds**

These funds account for resources the Township accumulates to pay bond debt. The Township had the following Debt Service Fund:

**\$450,000 Bond Debt** - This fund receives tax levy money and other restricted proceeds to pay the \$450,000 fire truck bond debt.

**4. 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** - This fund receives interest money to pay for the maintenance of the Lacey family lot and perpetual care.

**E. Budgetary Process**

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

**1. Appropriations**

**LIBERTY TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**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 re-appropriated in the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2013, 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. Non-spendable**

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

**2. Restricted**

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

**3. Committed**

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  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by 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 AND INVESTMENTS**

The Township maintains a deposit and investment 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:

	<b>2013</b>	<b>2012</b>
Demand deposits	\$460,852	\$361,897
Savings account	30,400	30,380
Total deposits	491,252	392,277
STAR Ohio	24,492	24,482
Total investments	24,492	24,482
Total deposits and investments	\$515,744	\$416,759

**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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**LIBERTY TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

**2013 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$177,176	\$196,241	\$19,065
Special Revenue	268,843	321,740	52,897
Debt Service	120,223	120,223	
Fiduciary Fund	41	24	(17)
Total	<u>\$566,283</u>	<u>\$638,228</u>	<u>\$71,945</u>

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$176,720	\$183,538	(\$6,818)
Special Revenue	265,699	235,482	30,217
Debt Service	120,223	120,223	
Fiduciary Fund	325		325
Total	<u>\$562,967</u>	<u>\$539,243</u>	<u>\$23,724</u>

**2012 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$107,015	\$276,237	\$169,222
Special Revenue	253,550	290,802	37,252
Debt Service	137,300	137,300	
Fiduciary Fund	41	2	(39)
Total	<u>\$497,906</u>	<u>\$704,341</u>	<u>\$206,435</u>

**2012 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$139,832	\$171,760	(\$31,928)
Special Revenue	305,011	281,338	23,673
Debt Service	137,300	137,300	
Fiduciary Fund	325		325
Total	<u>\$582,468</u>	<u>\$590,398</u>	<u>(\$7,930)</u>

The Township had some funds with disbursements greater than appropriations which violated Ohio Revised Code Section 5705.41(B). The Township recorded some receipts in the wrong fund which violated Ohio Revised Code Section 5705.10(D). Some disbursements were charged to the wrong fund which violated Ohio Revised Code Section 5705.10(I).

**LIBERTY TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**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.

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

**5. DEBT**

During 2013 the Township paid off the general obligation bonds issued for the purchase of a fire truck.

**6. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent for 2013 and 2012, respectively. The Township has paid all contributions required through December 31, 2013.

**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.



**LIBERTY TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**A. 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, 2013, 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.

**B. 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, 2013 and 2012.

	<b>2013</b>	<b>2012</b>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$9,000.

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.

<b>Contributions to OTARMA</b>	
<b>2013</b>	<b>2012</b>
\$16,220	\$16,125

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.

**LIBERTY TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. 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.

The Commission makes, studies, maps, plans, recommendations and reports concerning the physical, environmental, social economic, and government 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, at One Courthouse Square, Suite 130, Kenton, Ohio 43326.

**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.

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



# Dave Yost • Auditor of State

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

Liberty Township  
Hardin County  
P.O. Box 327  
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 Liberty Township, Hardin County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated August 4, 2014, 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***

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 opinion 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 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. 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. We consider findings 2013-001 and 2013-003 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-002 in the accompanying schedule of findings to be a significant deficiency.

***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 findings as items 2013-002 through 2013-005.

***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.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 4, 2014

**LIBERTY TOWNSHIP  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Material Weakness - Accuracy of Financial Reporting**

The Township should have procedures and controls in place to prevent and detect errors in the financial statements and accounting records to help assure that the information provided to the users is complete and accurate.

The following errors were identified in December 31, 2013 financial statements and were adjusted in the accompanying financial statements:

- A Bureau of Workers Compensation Refund in the amount of \$4,263 and an insurance refund of \$1,468 were recorded in the General Fund as Intergovernmental Receipts instead of Miscellaneous Receipts.
- An insurance refund in the amount of \$431 recorded in the General Fund was classified as Other Financing Sources instead of Miscellaneous Receipts.
- Homestead and Rollback Receipts in the amount of \$5,668 in the General Fund, \$7,326 in the Special Revenue Levy Fire Fund, \$3,321 in the Special Revenue Fire Fund, were recorded as Property and Other Local Taxes Receipts instead of Intergovernmental Receipts.
- Principal payments in the amount of \$116,437 and interest payments in the amount of \$1,386 were recorded in the Special Revenue Levy Fire Fund as Public Safety Disbursements instead of Principal and Interest Disbursements.
- Donations in the amount of \$22,700 were recorded as Charges for Services in the Special Revenue Levy Fire Fund instead of Miscellaneous Receipts.

The following errors were identified in December 31, 2012 financial statements and were adjusted in the accompanying financial statements:

- Refunds in the amount of \$697 were recorded in the General Fund as Intergovernmental Receipts instead of Miscellaneous Receipts.
- Homestead and Rollback Receipts in the amount of \$5,671 in the General Fund, \$7,338 in the Special Revenue Levy Fire Fund, \$3,307 in the Special Revenue Fire Fund, were recorded as Property and Other Local Taxes Receipts instead of Intergovernmental Receipts.
- Principal payments in the amount of \$125,300 were recorded in the Special Revenue Levy Fire Fund as Public Safety Disbursements instead of Principal Disbursements.
- Interest payments in the amount of \$9,700 were recorded in the Special Revenue Fire Fund as Capital Outlay Disbursements instead of Interest Disbursements.
- Donations in the amount of \$19,845 were recorded as Charges for Services in the Special Revenue Fire Fund instead of Miscellaneous Receipts.
- Donations in the amount of \$3,000 were recorded as Charges for Services in the Special Revenue Levy Fire Fund instead of Miscellaneous Receipts.

In addition, the Township established a required Debt Service Fund, however it recorded the property taxes and donations restricted to pay this debt in the Special Revenue Special Levy Fire and Fire funds. The reclassification of this activity from the Special Revenue Special Levy Fire and Fire District funds type to the Debt Service Fund type had the following impact on the financial statements:

**FINDING 2013-001  
 (Continued)**

	<b>Debt Service Fund Type</b>		<b>Special Revenue Fund Type</b>	
	<b>Debit</b>	<b>Credit</b>	<b>Debit</b>	<b>Credit</b>
<b>2013</b>				
General Government	\$2,400			\$2,400
Debt Service – Principal	116,437			
Debt Service – Interest	1,386			
Public Safety				\$117,823
Taxes		\$84,436	\$84,436	
Intergovernmental		13,087	13,087	
Miscellaneous		22,700		
Charges for Services			22,700	
<b>2012</b>				
General Government	2,300			2,300
Public Safety				135,000
Debt Service – Principal	129,017			
Debt Service – Interest	5,983			
Taxes		100,195	100,195	
Intergovernmental		14,260	14,260	
Miscellaneous		22,845		
Charges for Services			22,845	

During 2013 Ohio Public Employees Retirement System (OPERS) payments in the amount of \$3,721 were not recorded in the accounting records. During 2012, there was a difference of \$150 in the amount of OPERS payments and what was recorded in the accounting records and there was also an unexplained difference of \$86 in the accounting records.

The notes to the financial statements included errors not limited to, discussing a capital projects fund that did not exist; classifying a savings account as certificates of deposit; total deposits and investments not agreeing to the total financial statement fund balances; budgeted receipts and appropriations not agreeing to approved amounts, and reporting compliance violations not applicable to 2013 or 2012. Errors in the financial statements and supporting ledgers inhibit the ability of both the Fiscal Officer and the Board to monitor financial activity and to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Township. In addition, financial information with errors reduces the likelihood that irregularities will be detected in a timely manner. Finally, financial statement note errors impact the user's understanding of the financial statements.

The errors identified above should be reviewed by the Fiscal Officer to help assure that similar errors are not recorded in the accounting records, reported on the financial statements, and note disclosures in subsequent years. The Board should periodically review the accounting records to help identify and correct errors prior to completion of the annual financial statements. The annual financial statements notes should also be reviewed to determine completeness and accuracy. In addition, the Fiscal Officer should review the Township Handbook, Auditor of State Bulletins, UAN Manual, which can be found on the Auditor of State Website at <https://ohioauditor.gov/>, for guidance in recording of financial activity. In addition, when the Township has a debt covenant requiring the establishment of a debt service fund, the County Auditor should be provided a copy of the debt agreement so that a proportionate share of the tax levy can be allocated to the debt service fund.

**FINDING NUMBER 2013-002**

**Significant Deficiency/Noncompliance Citation**

**Ohio Rev. Code, Section 5705.10(D)** states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. During 2013, a motor vehicle tax receipt in the amount of \$809 was recorded in the Special Revenue Gasoline Tax Fund instead of the Special Revenue Motor Vehicle License Tax Fund. In 2012, an Excess IRP receipt in the amount of \$241 was recorded in the General Fund instead of the Special Revenue Motor Vehicle License Tax Fund.

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 misstate the financial statements, and makes it more difficult to detect irregularities.

The accounting records and accompanying financial statements have been adjusted to correctly record these receipts.

The Fiscal Officer and Trustees should regularly perform in-depth reviews of the accounting records and supporting documentation to help detect errors in a timely manner and prior to completion of the annual financial statements.

**FINDING NUMBER 2013-003**

**Material Weakness/Noncompliance Citation**

**Ohio Rev. Code § 5705.10(I)** states that money paid into any fund shall be used only for the purposes for which such fund is established. The following disbursements were recorded in funds in which the purpose of the disbursement did not agree with the purpose for which the fund was established:

During 2013, the Township allocated health department deductions, which were withheld from general fund tax settlements, to the General Fund, Special Revenue Levy Fire Fund, and Special Revenue Fire District Fund. In addition, auditor & treasurer fees were split evenly between the General Fund, Special Revenue Levy Fund, and Special Revenue Fire District Fund instead of allocating according to tax settlement sheets. This had the following impact on the December 31, 2013 fund balances:

General Fund	(\$9,628)
Special Revenue Levy Fire Fund	\$4,684
Special Revenue Fire Fund	\$4,944

During 2012, the Township allocated health department deductions, which were withheld from general fund tax settlements, to the General Fund, Special Revenue Levy Fire Fund, and Special Revenue Fire District Fund. In addition, auditor & treasurer fees were split evenly between the General Fund, Special Revenue Levy Fund, and Special Revenue Fire District Fund instead of allocating according to tax settlement sheets. This had the following impact on the December 31, 2012 fund balances:

General Fund	(\$5,053)
Special Revenue Levy Fire Fund	\$1,910
Special Revenue Fire Fund	\$3,143

The failure to charge disbursements to the appropriate fund(s) results in the illegal use of restricted money. In addition, it results in an inaccurate picture of operations and may result in the material misstatement of the financial statements. The accompanying financial statements and accounting records have been adjusted to correct these recording errors.

**FINDING NUMBER 2013-003  
(Continued)**

Disbursements should be charged to funds based on the supporting documentation and whether or not the purpose agrees with the purpose for which the fund was established. Periodically, the Fiscal Officer and Trustees should review the accounting records to determine that disbursements charged to each fund are allowable.

**FINDING NUMBER 2013-004**

**Noncompliance Citation**

**Ohio Rev. Code § 5705.41(B)** provides that no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 2013 the Township had expenditures exceeding appropriations by \$6,818 and \$4,372 in the General and Special Revenue Cemetery Funds, respectively. At December 31, 2012 expenditures exceeded appropriations by \$31,928 and \$25,728 in the General and Special Revenue Cemetery Funds, respectively.

The failure to maintain expenditures within the current level of appropriation for each fund may impact the Township's ability to meet the financial obligations and could result in deficit spending by the Township. There was no evidence that Trustees reviewed budget versus actual disbursement reports during 2013 and 2012. Because the Trustees are responsible for adopting the annual appropriations, they are also responsible for monitoring actual spending to assure it stays within the appropriations.

The Fiscal Officer should provide monthly budget versus actual disbursement reports to the Trustees. Evidence should be maintained to support the review and approval of these reports by the Trustees.

**FINDING NUMBER 2013-005**

**Noncompliance Citation**

**Ohio Rev. Code § 5705.14(E)** states money may be transferred from the general fund to any other fund of the subdivision. OAG Opinion 89-075 requires a governing board resolution passed by a simple majority of the board members to transfer funds.

During 2013, \$23,280 was transferred from the General Fund to the Special Revenue Cemetery Fund without evidence of approval by the Trustees. Two additional transfers, in the total amount of \$15,000, from the General Fund to the Special Revenue Cemetery Fund were approved by the Trustees. During December 2012, two transfers in the total amount of \$41,324.32 were made from the General Fund to the Special Revenue Cemetery Fund without evidence of approval by the Trustees. Two additional transfers in the total amount of \$20,000 between the General Fund and Special Revenue Cemetery Fund were approved by the Trustees.

The failure to either approve each transfer by resolution, or if the transfers are from the general fund, to include as part of the appropriations resolution, increases the risk of irregularities and the risk that adequate resources will not be available to cover obligations in the fund transferring the money. The Trustees retroactively approved the unapproved transfers on August 4, 2014.

The Trustees should approve all transfers. If the transfers from the General Fund are planned at the time when appropriations are adopted, then the transfers can be included as part of the appropriations resolution. In addition, the Fiscal Officer and Trustees should review the Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16 to further their understanding of the requirements for transfers. Finally, the Trustees should monitor financial activity to help assure that they have approved all transfers.

**OFFICIALS' RESPONSE:** We did not receive a response from Officials to the findings reported above.



**LIBERTY TOWNSHIP  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	Material Weakness - Accuracy of Financial Reporting – financial reporting errors.	No	Repeated as 2013 - 001
2011-02	Ohio Rev. Code § 5705.09 (E) and Bond Agreement – failure to establish a special bond fund.	Yes	
2011-03	Ohio Rev. Code § 5705.10 (D) - revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.	No	Repeated as 2013 - 002
2011-04	Ohio Rev. Code § 5705.10 (E) – proceeds of debt not paid into a special fund.	Yes	
2011-05	Ohio Rev. Code § 5705.131 - investment earnings not credit to the Private Purpose Trust Fund.	Yes	
2011-06	Ohio Rev. Code § 5705.41 (B) – expenditures cannot exceed appropriations	No	Repeated as 2013 - 004
2011-07	Ohio Rev. Code § 5705.14(E) – transfers should be approved by a board resolution	No	Repeated as 2013 - 005
2011-08	Ohio Rev. Code § 5705.41(D) (1) – expenditures require pre-certification of the Fiscal Officer.	Yes	

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# Dave Yost • Auditor of State

**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  
SEPTEMBER 9, 2014**