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**LIBERTY TOWNSHIP
HENRY COUNTY
Regular Audit
For the Years Ended December 31, 2016 and 2015**

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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Board of Trustees
Liberty Township
S-395 Road 9, Route 1
Liberty Center, Ohio 43532-9709

We have reviewed the *Independent Auditor's Report* of the Liberty Township, Henry County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 8, 2017

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LIBERTY TOWNSHIP
HENRY COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 20, 2017

Liberty Township
Henry County
S 395 Road 9
Liberty Center, OH 43532

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**, Henry County, (the Township) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Liberty Township, Henry County as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2017, 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
HENRY 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	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 18,355	\$ 170,799	\$ -	\$ 189,154
Charges for Services	-	81,290	-	81,290
Licenses, Permits and Fees	27,894	2,803	-	30,697
Intergovernmental	21,026	144,477	-	165,503
Earnings on Investments	1,616	629	-	2,245
Miscellaneous	87	2,008	-	2,095
<i>Total Cash Receipts</i>	<u>68,978</u>	<u>402,006</u>	<u>-</u>	<u>470,984</u>
Cash Disbursements				
Current:				
General Government	74,725	11,122	-	85,847
Public Safety	-	126,063	-	126,063
Public Works	-	121,067	-	121,067
Health	-	4,082	-	4,082
Conservation-Recreation	-	6,936	-	6,936
Capital Outlay	5,000	32,815	-	37,815
Debt Service:				
Principal Retirement	-	21,817	-	21,817
Interest and Fiscal Charges	-	2,077	-	2,077
<i>Total Cash Disbursements</i>	<u>79,725</u>	<u>325,979</u>	<u>-</u>	<u>405,704</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,747)</u>	<u>76,027</u>	<u>-</u>	<u>65,280</u>
Other Financing Receipts (Disbursements)				
Transfers In	-	28,300	-	28,300
Transfers Out	(28,300)	-	-	(28,300)
Advances In	8,000	8,000	-	16,000
Advances Out	(8,000)	(8,000)	-	(16,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(28,300)</u>	<u>28,300</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(39,047)	104,327	-	65,280
<i>Fund Cash Balances, January 1</i>	<u>174,055</u>	<u>604,601</u>	<u>8,282</u>	<u>786,938</u>
Fund Cash Balances, December 31				
Restricted	-	707,670	8,282	715,952
Assigned	1,467	1,258	-	2,725
Unassigned	133,541	-	-	133,541
<i>Fund Cash Balances, December 31</i>	<u>\$ 135,008</u>	<u>\$ 708,928</u>	<u>\$ 8,282</u>	<u>\$ 852,218</u>

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

**LIBERTY TOWNSHIP
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 19,165	\$ 101,796	\$ 69,298	\$ 190,259
Charges for Services	-	69,552	-	69,552
Licenses, Permits and Fees	27,700	970	-	28,670
Intergovernmental	23,000	147,175	7,955	178,130
Earnings on Investments	1,763	603	27	2,393
Miscellaneous	2,118	4,376	-	6,494
<i>Total Cash Receipts</i>	<u>73,746</u>	<u>324,472</u>	<u>77,280</u>	<u>475,498</u>
Cash Disbursements				
Current:				
General Government	80,738	12,328	1,811	94,877
Public Safety	-	94,851	-	94,851
Public Works	-	106,782	-	106,782
Health	-	4,135	-	4,135
Conservation-Recreation	-	6,954	-	6,954
Capital Outlay	-	4,716	-	4,716
Debt Service:				
Principal Retirement	-	21,179	80,000	101,179
Interest and Fiscal Charges	-	2,725	1,998	4,723
<i>Total Cash Disbursements</i>	<u>80,738</u>	<u>253,670</u>	<u>83,809</u>	<u>418,217</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,992)</u>	<u>70,802</u>	<u>(6,529)</u>	<u>57,281</u>
Other Financing Receipts & Disbursements				
Transfers In	-	13,000	-	13,000
Transfers Out	(13,000)	-	-	(13,000)
<i>Total Other Financing Receipts & Disbursements</i>	<u>(13,000)</u>	<u>13,000</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	<u>(19,992)</u>	<u>83,802</u>	<u>(6,529)</u>	<u>57,281</u>
<i>Fund Cash Balances, January 1 (Restated - See Note 13)</i>	<u>194,047</u>	<u>520,799</u>	<u>14,811</u>	<u>729,657</u>
Fund Cash Balances, December 31				
Restricted	-	603,530	8,282	611,812
Assigned	1,578	1,071	-	2,649
Unassigned	172,477	-	-	172,477
<i>Fund Cash Balances, December 31</i>	<u>\$ 174,055</u>	<u>\$ 604,601</u>	<u>\$ 8,282</u>	<u>\$ 786,938</u>

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

LIBERTY TOWNSHIP
HENRY COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Liberty Township, Henry County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township is zoned.

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

The Township participates in the Ohio Plan Risk Management Inc. (OPRM) public entity risk pool. Note 8 to the financial statements provide additional information for this entity. 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.

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 The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

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

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

LIBERTY TOWNSHIP
HENRY COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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 and 2015 budgetary activity appears in Note 4.

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.

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.

LIBERTY TOWNSHIP
HENRY COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gasoline Tax Fund by \$5,569, Fire District Fund by \$3,422, and Park Levy Fund by \$1,517 for the year ended December 31, 2016.

LIBERTY TOWNSHIP
HENRY COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(Continued)

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 72,245	\$ 68,978	\$ (3,267)
Special Revenue	442,674	430,306	(12,368)
Total	\$ 514,919	\$ 499,284	\$ (15,635)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 101,765	\$ 109,717	\$ (7,952)
Special Revenue	338,029	327,012	11,017
Debt Service	4,030	-	4,030
Total	\$ 443,824	\$ 436,729	\$ 7,095

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 70,445	\$ 73,746	\$ 3,301
Special Revenue	357,717	341,299	(16,418)
Debt Service	76,875	73,453	(3,422)
Total	\$ 505,037	\$ 488,498	\$ (16,539)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 125,375	\$ 95,513	\$ 29,862
Special Revenue	370,528	254,544	115,984
Debt Service	85,955	83,809	2,146
Total	\$ 581,858	\$ 433,866	\$ 147,992

Note 5 – Deposits

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

	2016	2015
Demand deposits	\$ 452,218	\$ 386,938
Certificates of deposit	400,000	400,000
Total deposits	\$ 852,218	\$ 786,938

LIBERTY TOWNSHIP
HENRY COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(Continued)

Note 5 – Deposits (Continued)

Deposits

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

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 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ambulance	\$ 57,507	3.10%
Total	\$ 57,507	

The Township issued debt in the amount of \$110,850 in 2014 for five years with monthly payments of \$1,991.98 with Henry County Bank for an ambulance.

The Township issued debt in the amount of \$800,000 in 2003 for eighteen years with semi-annual payments of \$19,048.51 with Henry County Bank for a fire station. This loan was paid off in 2015.

Amortization of the above debt is scheduled as follows:

	Ambulance
Year ending December 31:	
2017	\$ 25,321
2018	24,637
2019	9,804
Total	\$ 59,762

Note 8 - Risk Management

Risk Pool Membership

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

LIBERTY TOWNSHIP
HENRY COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(Continued)

Note 8 - Risk Management (Continued)

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014 (the latest information available).

	2015	2014
Cash and investments	\$ 14,643,667	\$ 14,830,185
Actuarial liabilities	(9,112,030)	(8,942,504)
Members' Equity	\$ 5,531,637	\$ 5,887,681

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

Note 9 - 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 and 2015, 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 and 2015.

LIBERTY TOWNSHIP
HENRY COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(Continued)

Note 10 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 11 – Wastewater Discharge Assessment Agreement

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

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

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

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 13 – Restatement of Beginning Balances

Fund balance adjustments were proposed for a debt payments in the prior audit. These adjustments were not necessary so this required the Township to restate their beginning balances for December 31, 2014:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
Fund Balance at December 31, 2014	\$ 204,047	\$ 510,799	\$ 14,811	\$ 729,657
Adjustment for prior period errors	<u>(10,000)</u>	<u>10,000</u>		<u>-</u>
Beginning Balance at January 1, 2015	<u>\$ 194,047</u>	<u>\$ 520,799</u>	<u>\$ 14,811</u>	<u>\$ 729,657</u>



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

June 20, 2017

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

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**, Henry County, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 20, 2017, 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.

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 that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider to be material weaknesses. We consider finding 2016-001 and 2016-002 to be material weaknesses.

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 2016-002 through 2016-005.

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.



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

LIBERTY TOWNSHIP
HENRY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

Material Weakness

Posting Receipts, Disbursements and Classification of Fund Balances

The Township should have procedures and controls in place to prevent and detect errors in financial reporting. Funds and 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 2016 and 2015, receipts, disbursements and fund balances were not always posted or classified correctly. The following posting errors were noted:

- General Fund unencumbered balance was classified as Assigned instead of Unassigned in 2016 and 2015;
- Revenue received from Washington Township for fire services was classified as Intergovernmental instead of Charges for Services in 2016 and 2015;
- Miscellaneous revenue was recorded as Other Financing Sources in 2016 and 2015;
- Expenditures were recorded as Other Financing Uses instead of General Government in 2016 and 2015;
- An ATV grant received from the State was recorded as Other Financing Sources instead of Intergovernmental in 2016;
- Expenditures to the Henry County Engineer were recorded in the Debt Service and Capital Projects Fund instead of the Gasoline Tax Fund in 2016;
- A fire/EMS grant received from the State was recorded as Miscellaneous instead of Intergovernmental in 2015;
- A homestead rollback receipt received from the State was not allocated properly between the funds and posted to Other Financing Sources instead of Intergovernmental in 2015.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring several reclassification and adjusting entries. The Financial Statements reflect all reclassifications and adjustments. The Township has made these adjustments to their accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend 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.

The Fiscal Officer should refer to the Ohio Township Handbook for the proper classification and take additional care in posting transactions to the Township's ledger and annual financial report in order to ensure the Township's year-end financial statement reflect the appropriate sources and uses of the Township's receipts and disbursements. The Fiscal Officer should also refer to Auditor of State Technical Bulletin 2011-004 for information on fund and fund balance classifications.

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

LIBERTY TOWNSHIP
HENRY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-002

Noncompliance/Material Weakness

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

During 2016 and 2015, the Fiscal Officer apportioned Trustees' salaries to the Gasoline Tax and Road and Bridge Funds. There was no documentation provided by Trustees during 2016 and 2015 to support the salary allocations to funds other than the General fund. As a result, the Gasoline Tax fund was incorrectly charged \$13,460 and the Road and Bridge fund was incorrectly charged \$2,229 for salaries in 2016 and the Gasoline Tax fund was incorrectly charged \$14,146 for salaries in 2015.

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

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

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

FINDING NUMBER 2016-003

Noncompliance

Budgetary Controls

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Township making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeding appropriations); expenditures exceeded appropriations in the Gasoline Tax Fund by (\$4,053), Fire District Fund by (\$3,118) and the Park Levy Fund by (\$1,524) in 2016;
- Violations of 5705.41(D) relating to expenditures having prior certification of availability of funds; the Township did not properly certify the availability of funds prior to purchase commitment for 41% of the expenditures tested for 2016 and for 31% of the expenditures tested for 2015.

**LIBERTY TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-003 (Continued)

Noncompliance (Continued)

Budgetary Controls (Continued)

The Board should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Township is complying with applicable sections. If the Board does not consider this necessary, steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

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

FINDING NUMBER 2016-004

Noncompliance

Ohio Admin. Code Section 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2016, approved appropriations did not agree to the Township's ledgers as follows:

Fund	Appropriations as Approved	Appropriations per the System	Variance
General	94,315	105,534	(11,219)
Zoning	5,675	5,685	(10)
Motor Vehicle License Tax	16,500	17,400	(900)
Gasoline Tax	93,462	106,851	(13,389)
Road & Bridge	21,550	24,550	(3,000)
Cemetery	9,045	9,495	(450)
Fire District	155,163	192,304	(37,141)
Park Levy	23,185	30,167	(6,982)

At December 31, 2015, approved appropriations did not agree to the Township's ledgers as follows:

Fund	Appropriations as Approved	Appropriations per the System	Variance
General	118,915	122,741	(3,826)
Zoning	5,364	6,185	(821)
Gasoline Tax	131,237	137,068	(5,831)
Cemetery	5,983	6,381	(398)
Fire District	141,309	151,938	(10,629)
Park Levy	13,273	14,523	(1,250)
Debt Service	85,955	86,255	(300)

LIBERTY TOWNSHIP
HENRY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-004 (Continued)

Noncompliance (Continued)

As a result, management lost some degree of budgetary control since budgetary information was being improperly entered into the system.

We recommend posting estimated receipts as certified by the County Budget Commission and appropriations as approved by the Board only after receiving approval. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

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

FINDING NUMBER 2016-005

Noncompliance

Ohio Rev. Code 5705.14 requires a resolution of the taxing authority passed by an affirmative vote of two-thirds of the members (except a simple majority is sufficient for transfers from the general fund).

In 2016, the Township transferred \$4,300 to the Cemetery Fund, \$21,900 to the Park Levy Fund, and \$2,100 to the Zoning Fund from the General Fund. In 2015, the Township transferred \$4,000 to the Cemetery Fund, \$4,500 to the Park Levy Fund, and \$4,500 to the Zoning Fund from the General Fund. The transfers were not formally approved.

Although Ohio Rev. Code 5705.16 expressly permits these transfers, they must be approved.

In addition to the matters above, Auditor of State Bulletin 97-003 indicates that in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established; the reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and must be approved by a formal resolution of the taxing authority of the subdivision. This resolution must include:

- a. A specific statement that the transaction is an advance of cash, and
- b. An indication of the money (fund) from which it is expected that repayment will be made.

In 2016, the Township advanced \$8,000 to the Fire District Fund from the General Fund. The advance was repaid in full, however, none of the advances were approved by resolution and therefore, there was no indication that the transactions were advances or when repayment was expected.

We recommend the Township follow Ohio Rev. Code 5705.14 through 5705.16 and the Township approve the transfers and advances by resolution and record in the minutes.

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

**LIBERTY TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Posting receipts, disbursements and fund balances	No	Repeated as Finding 2016-001
2014-002	ORC 505.24(C)	No	Repeated as Finding 2016-002
2014-003	Budgetary Controls	No	Repeated as Finding 2016-003



Dave Yost • Auditor of State

LIBERTY TOWNSHIP

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 21, 2017**