



Dave Yost • Auditor of State

LIBERTY TOWNSHIP
TRUMBULL COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Liberty Township
Trumbull County
1315 Churchill-Hubbard Road
Youngstown, Ohio 44505

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, Trumbull County, (the Township) as of and for the years ended December 31, 2015 and 2014.

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.

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 (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, 2015 and 2014, 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, Trumbull County as of December 31, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the Township had a prior period adjustment that affected General and Special Revenue fund balances. Also, as discussed in Note 10 to the financial statements, the Township has suffered losses from operations and has a General Fund fund balance deficit as of December 31, 2015 of (\$139,639). The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 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.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 14, 2017

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**LIBERTY TOWNSHIP
TRUMBULL COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$238,494	\$3,954,591	\$0	\$4,193,085
Charges for Services		302,355		302,355
Licenses, Permits and Fees	95,057	37,351		132,408
Fines and Forfeitures	14,935	22,918		37,853
Intergovernmental	192,340	821,385	250,187	1,263,912
Special Assessments		24,693		24,693
Earnings on Investments	115	7		122
Miscellaneous	31,991	128,633	1,194	161,818
<i>Total Cash Receipts</i>	<u>572,932</u>	<u>5,291,933</u>	<u>251,381</u>	<u>6,116,246</u>
Cash Disbursements				
Current:				
General Government	614,964	2,945		617,909
Public Safety	604	4,475,479		4,476,083
Public Works	8,127	838,988		847,115
Health	10,799	9,396		20,195
Conservation-Recreation	35,795			35,795
Capital Outlay		201,648	251,857	453,505
<i>Total Cash Disbursements</i>	<u>670,289</u>	<u>5,528,456</u>	<u>251,857</u>	<u>6,450,602</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(97,357)</u>	<u>(236,523)</u>	<u>(476)</u>	<u>(334,356)</u>
Other Financing Receipts (Disbursements)				
Sale of Notes		250,000		250,000
Transfers In		350		350
Transfers Out	(350)			(350)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(350)</u>	<u>250,350</u>		<u>250,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(97,707)</u>	<u>13,827</u>	<u>(476)</u>	<u>(84,356)</u>
<i>Fund Cash Balances, January 1</i>	<u>(41,932)</u>	<u>1,013,868</u>	<u>6,105</u>	<u>978,041</u>
Fund Cash Balances, December 31				
Restricted		973,738	5,629	979,367
Assigned		53,957		53,957
Unassigned (Deficit)	(139,639)			(139,639)
<i>Fund Cash Balances, December 31</i>	<u>(\$139,639)</u>	<u>\$1,027,695</u>	<u>\$5,629</u>	<u>\$893,685</u>

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

**LIBERTY TOWNSHIP
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$264,738	\$3,759,288	\$0	\$4,024,026
Charges for Services		304,142		304,142
Licenses, Permits and Fees	133,518	4,324		137,842
Fines and Forfeitures	11,555	8,330		19,885
Intergovernmental	203,627	890,393	230,167	1,324,187
Special Assessments		25,633		25,633
Earnings on Investments	1,822			1,822
Miscellaneous	44,893	133,267		178,160
<i>Total Cash Receipts</i>	<u>660,153</u>	<u>5,125,377</u>	<u>230,167</u>	<u>6,015,697</u>
Cash Disbursements				
Current:				
General Government	628,068	3,357		631,425
Public Safety		4,441,924		4,441,924
Public Works	6,998	493,116		500,114
Health	2,118	13,087		15,205
Conservation-Recreation	36,970			36,970
Capital Outlay		46,889	267,921	314,810
<i>Total Cash Disbursements</i>	<u>674,154</u>	<u>4,998,373</u>	<u>267,921</u>	<u>5,940,448</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,001)</u>	<u>127,004</u>	<u>(37,754)</u>	<u>75,249</u>
Other Financing Receipts (Disbursements)				
Sale of Notes		200,000		200,000
Transfers In			38,050	38,050
Transfers Out	(38,050)			(38,050)
Advances In	25,000			25,000
Advances Out		(25,000)		(25,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(13,050)</u>	<u>175,000</u>	<u>38,050</u>	<u>200,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(27,051)</u>	<u>302,004</u>	<u>296</u>	<u>275,249</u>
<i>Fund Cash Balances, January 1 (Restated See Note 9)</i>	<u>(14,881)</u>	<u>711,864</u>	<u>5,809</u>	<u>702,792</u>
Fund Cash Balances, December 31				
Restricted		960,232	6,105	966,337
Assigned		53,636		53,636
Unassigned (Deficit)	(41,932)			(41,932)
<i>Fund Cash Balances, December 31</i>	<u>(\$41,932)</u>	<u>\$1,013,868</u>	<u>\$6,105</u>	<u>\$978,041</u>

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

**LIBERTY TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

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 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.

C. 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 values repurchase agreements at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

**LIBERTY TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Police District Fund - This fund receives property tax money for the general operation of the police department.

Fire District Fund - This fund receives property tax money for the general operation of the fire department.

3. Capital Project Funds

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

Safe Route to School Fund - The Township received a grant from the Ohio Department of Transportation to make walking and bicycling to school safer and more accessible for children.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over, and need not be reappropriated.

**LIBERTY TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

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

2. Restricted

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

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.

**LIBERTY TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

H. 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.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015	2014
Demand deposits	\$126,041	\$303,864
Repurchase agreement	767,644	674,177
Total deposits and investments	893,685	978,041

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

The Township’s financial institution transfers securities to the Township’s agent to collateralize repurchase agreements. The securities are not in the Township’s name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$599,299	\$572,932	(\$26,367)
Special Revenue	5,396,125	5,542,283	146,158
Capital Projects	0	251,381	251,381
Total	\$5,995,424	\$6,366,596	\$371,172

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$744,547	\$670,639	\$73,908
Special Revenue	6,009,335	5,582,413	426,922
Capital Projects	2,500	251,857	(249,357)
Total	\$6,756,382	\$6,504,909	\$251,473

**LIBERTY TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$872,939	\$685,153	(\$187,786)
Special Revenue	5,037,535	5,325,377	287,842
Capital Projects	0	268,217	268,217
Total	\$5,910,474	\$6,278,747	\$368,273

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$658,774	\$712,204	(\$53,430)
Special Revenue	5,423,243	5,077,009	346,234
Capital Projects	2,300	267,921	(265,621)
Total	\$6,084,317	\$6,057,134	\$27,183

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Project funds by \$249,357 for the year ended December 31, 2015, and budgetary expenditures exceeded appropriation authority in the General fund by \$53,430 and in the Capital Project funds by \$265,621 at December 31, 2014. Also contrary to Ohio law, the General fund had a cash deficit balance of \$139,639 and \$41,932 at December 31, 2015 and 2014, respectively.

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.

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

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
General Obligation Note - Fire Truck Repair	\$16,666	2.75%
General Obligation Note - 2014 Roads	\$156,776	2.70%
General Obligation Note - 2015 Roads	\$213,900	2.70%
OPWC CF12N-Arbor Circle/Goldie Road	\$4,350	0.00%

The Township issued general obligation notes to make necessary fire truck repairs, and the Township's taxing authority collateralized the notes.

**LIBERTY TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

5. DEBT – (Continued)

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

Year ending December 31:	G.O. Fire Truck Repairs	G.O. 2014 Roads	G.O. 2015 Roads	OPWC Arbor Circle/Goldie Road
2016	\$17,133	\$43,224	\$53,943	4,350
2017		43,224	53,943	
2018		43,224	53,943	
2019		43,224	53,943	
2020			26,972	
Total	<u>\$17,133</u>	<u>\$172,896</u>	<u>\$242,744</u>	<u>\$4,350</u>

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). The Law enforcement employees belong to PERS-Public Safety. Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates as follows:

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP&F- full time firefighters</i>	<i>July 1, 2013- June 30, 2014</i>	<i>10.75%</i>	<i>24%</i>
<i>OP&F- full time firefighters</i>	<i>July 1, 2014- June 30, 2015</i>	<i>11.5%</i>	<i>24%</i>
<i>OP& F-full time firefighters</i>	<i>July 1, 2015- June 30, 2016</i>	<i>12.25%</i>	<i>24%</i>
<i>PERS – Local</i>	<i>2008-2015</i>	<i>10%</i>	<i>14%</i>
<i>PERS – Public Safety</i>	<i>2014-2015</i>	<i>12.00%</i>	<i>18.10%</i>

The Township has paid all contributions required through December 31, 2015.

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
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. RISK MANAGEMENT – (Continued)

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, 2015, 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$38,528.

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.

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$72,694	\$72,711

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
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

8. CONTINGENT LIABILITIES

The Township is a defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

9. PRIOR PERIOD ADJUSTMENT

The Township voided checks which were written in prior periods by recording the following adjustments to cash fund balances:

	General Fund	Special Revenue Fund
Fund cash balance, December 31, 2013	\$ (19,936)	\$ 680,381
Adjustment	5,055	31,483
Fund cash balance, January 1, 2014	<u>\$ (14,881)</u>	<u>\$ 711,864</u>

10. FINANCIAL DIFFICULTIES

The Township was placed in Fiscal Caution on October 3, 2013, by the Auditor of State's Office, pursuant to Ohio Revised Code Section 118.025(A). As of December 31, 2015, the Township's General Fund balance is a negative (\$139,639). Based on the shortage of money and the fire department being the only department with excess funds, the Township had no choice but to use their money to cover the deficits. The Township's plan to eliminate the negative fund balance in the General Fund is to try to decrease disbursements.



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
Trumbull County
1315 Churchill-Hubbard Road
Youngstown, Ohio 44505

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, Trumbull County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated February 14, 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. We also noted 2014 beginning fund balances for the General Fund and Special Revenue fund types were restated. In addition, we noted the Township has suffered recurring losses from operations and has a General Fund deficit as of December 31, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of 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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2015-001 and 2015-005 through 2015-007 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 findings 2015-008 and 2015-009 described in the accompanying schedule of findings to be significant deficiencies.

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 2015-001 through 2015-005.

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.



Dave Yost
Auditor of State
Columbus, Ohio

February 14, 2017

LIBERTY TOWNSHIP
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

1. Ohio Department of Transportation Grant Funds

<i>Finding Number</i>	2015-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Auditor of State Bulletins 2000-008 and 2002-004 provide guidance for local governments participating in on-behalf programs with other governments as to the application of Statement No. 24 of the Governmental Accounting Standards Board. In general, when a local government enters into an on-behalf program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf disbursements are made.

Ohio Rev. Code § 5705.09(F) requires that a subdivision establish a special fund for each class of revenue derived from a source, other than general property tax, which the law requires to be used for a particular purpose. Additionally, Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Township did not establish the required capital project fund for an Ohio Department of Transportation (ODOT) project in accordance with Ohio Revised Code § 5705.09(F), nor did they record the related receipts and disbursements of \$100,035 and \$249,917 during 2014 and 2015, respectively.

The Township lacked procedures to record this on-behalf money.

The Township's project funds went directly from the Ohio Department of Transportation to the appropriate contractor, as is common procedure with this project funding, and the Township did not record these monies coming into the Township or being expended to the contractor as required. Consequently, the Township also violated Ohio Revised Code Section 5705.41(B) when it failed to appropriate these monies. The financial statements include the proper adjustments to reflect the ODOT projects activity within the capital projects fund.

The Township should establish a separate capital projects fund for each grant related project in order to account for the related receipts and disbursements to the extent the local government has received a benefit from each project and budget for these monies accordingly.

2. Actual Disbursements Exceeded Appropriations

<i>Finding Number</i>	2015-002
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NONCOMPLIANCE

Ohio Rev. Code § 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

**Finding Number 2015-002
 (Continued)**

At the end of 2014, the Township’s disbursements exceeded appropriations for the following:

- General Fund in the amount of \$53,330, after audit adjustments it's \$48,688,
- Cemetery Fund in the amount of \$9,037,
- Fire Fund in the amount of \$34,277,
- Capital Projects Fund in the amount of \$265,621

At the end of 2015, the Townships disbursements exceeded appropriations for the Capital Projects Fund in the amount of \$249,357.

The Township should amend the budget if available to help ensure disbursements do not exceed appropriations.

3. Negative Fund Balance

<i>Finding Number</i>	2015-003
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NONCOMPLIANCE

Ohio Rev. Code § 5705.10(l) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The General Fund had a negative fund balance for the months ending June 2015 through December 2015 and these amounts ranged from (\$32,385) to (\$139,639). The General Fund negative fund balance at year end was (\$139,639).

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of other funds. Fund activity should be monitored to help prevent future disbursements in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Rev. Code.

4. Appropriations limited by Estimated Resources

<i>Finding Number</i>	2015-004
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NONCOMPLIANCE

Ohio Rev. Code §5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

In 2014, the Township's final appropriations, approved by Resolutions 14-44 and 14-66, exceeded the final Amended Official Certificate of Estimated Resources for the Gas Tax Fund in the amount of \$29,905.

**Finding Number 2015-004
 (Continued)**

In 2015, the Township's final appropriations, approved by Resolutions 15-55 and 15-113, exceeded the final Amended Official Certificate of Estimated Resources for the following:

- General fund in the amount of \$127,487
- Cemetery fund in the amount of \$97
- Drug Law Enforcement fund in the amount of \$9,194

The Township lacked internal controls and procedures to prevent the above non-compliances.

The Township should amend the budget if available to help ensure appropriations do not exceed estimated resources.

5. Interfund Transfers

<i>Finding Number</i>	2015-005
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 5705.14-16 generally only allow monies to be transferred from the general fund to any other fund of the subdivision.

In 2015, the Township made an illegal transfer of \$149,010 from the Road and Bridge Fund to the Permanent Improvement Fund to pay for a road project. The road project was an allowable disbursement of Road and Bridge Fund monies. However, the Township should have paid for the road project from the Road and Bridge Fund.

The financial statements have been adjusted to eliminate the transfer and to report the disbursements in the Road and Bridge Fund.

The Township should only transfer funds in accordance with the aforementioned Ohio Revised Code sections.

6. Integrated Accounting System

<i>Finding Number</i>	2015-006
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MATERIAL WEAKNESS

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing information on budgetary receipts and disbursements.

The Township enters budgetary data for estimated receipts and disbursements. However, the amounts entered do not agree with the approved appropriations. This can lead to decisions being made on faulty budgetary data and can lead to overspending and creating a negative fund balance if not monitored.

**Finding Number 2015-006
(Continued)**

In 2014, the Township did not update their accounting system for the Board approved 2014 appropriation resolutions. Variances existed for all funds at year end for a net difference of (\$758,457). Total appropriations approved by Board Resolution #14-44 and Amendment #14-66 were \$6,084,317, whereas, total appropriations in the accounting system at December 31, 2014 were \$6,842,774.

The controls over the budgetary process failed to recognize errors related to posting appropriation balances since the Township lacked proper procedures.

The Township should post the approved appropriations to the UAN system by the first of the year. Any amendments to those official documents should be promptly posted to the system upon approval. This may help ensure correct budgetary information and Township decisions can be made on accurate data.

7. Improper Posting of Receipts and Disbursements

<i>Finding Number</i>	2015-007
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MATERIAL WEAKNESS

Ohio Administrative Code Chapter 117-2-01 provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal control" means a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives for reliability of financial reporting;

The control procedures over the review of receipt transactions failed to recognize material errors related to posting classifications because the procedures were inadequate. The Township has made all required adjustments to their financial statements for the following material errors:

- In 2014, the Township posted \$82,072 received from cable franchise fees as miscellaneous receipts instead of license, permits and fees receipts for the General Fund.
- In 2014, the Township posted a \$618 reimbursement receipt as a transfer-in instead of miscellaneous receipts for the Special Revenue Drug Law Enforcement Fund.
- In 2015, the Township posted \$72,561 received from cable franchise fees as miscellaneous receipts instead of license, permits and fees receipts for the General Fund.

**Finding Number 2015-007
(Continued)**

The control procedures over the review of receipt transactions failed to recognize other immaterial errors related to posting classifications because the procedures were inadequate. The following immaterial errors were not adjusted on the Township's financial statements:

- In 2014, the Township did not record the first half mobile home real estate tax deductions and second half real estate tax deductions. This resulted in an understatement of both property tax receipts and general government disbursements in the amount of \$14,133 for the General Fund and \$36,127 for the Special Revenue funds type.
- In 2014, the Township improperly posted a \$32,500 real estate tax advance as intergovernmental receipts instead of property tax receipts in the Special Revenue funds type.
- In 2014, the Township improperly posted \$4,350 in Ohio Public Works Commission loan proceeds as intergovernmental receipts instead of debt proceeds for the Capital Projects fund type.
- In 2015, the Township did not record the first and second half real estate tax deductions. This resulted in an understatement of both property tax receipts and general government disbursements in the amount of \$29,036 for the General Fund and \$78,975 for the Special Revenue funds type.

The control procedures over the review of disbursement transactions failed to recognize material errors related to posting classification because the procedures were inadequate. The Township has made all required adjustments to their financial statements and accounting system for the following material errors:

- In 2014 and 2015, the Township allocated their attorney payroll expenditures to the following funds: General Fund 10%, Road & Bridge Fund 10%, Police Fund 40%, and Fire Fund 40%. Upon review of the attorney's invoices submitted for payment, the aforementioned allocations do not seem reasonable. Therefore, we have determined the following mispostings occurred in 2014: General Fund expenditures were understated by \$4,644; Road & Bridge Fund expenditures were understated by \$2,566; Police Fund expenditures were overstated by \$3,367; Fire Fund expenditures were overstated by \$2,368; and Motor Vehicle License Tax Fund expenditures were overstated by \$1,475. The following mispostings occurred in 2015: General Fund expenditures were understated by \$2,880; Road & Bridge Fund expenditures were understated by \$1,009; Police Fund expenditures were overstated by \$1,529; Fire Fund expenditures were overstated by \$1,134; and Motor Vehicle License Tax Fund expenditures were overstated by \$1,226. In addition, the control procedures failed to detect that the Township's attorney did not submit invoices for three months of work performed in 2014 and 2015. As a result, the Township has determined their attorney is owed an additional \$3,523.

**Finding Number 2015-007
 (Continued)**

The control procedures over the review of disbursement transactions failed to recognize immaterial errors related to posting classification because the procedures were inadequate. The following immaterial errors were not adjusted on the Township's financial statements:

- In 2014, principal and interest payments for the ambulance debt totaling \$19,426 were improperly posted to public safety disbursement code instead of principal and interest in the Special Revenue Ambulance & EMS fund.
- In 2014, principal and interest payments for the fire truck debt totaling \$16,667 were improperly posted to capital outlay disbursement code instead of principal and interest in the Special Revenue Fire Fund.
- In 2015, principal and interest payments for the fire truck debt totaling \$17,596 were improperly posted to capital outlay disbursement code instead of principal and interest in the Special Revenue Fire Fund.
- In 2015, an interest payment for the fire truck debt totaling \$1,249 was improperly posted to the public works disbursement code in the Special Revenue Road Fund. The payment should have been posted as interest in the Special Revenue Fire fund.
- In 2015, principal and interest payments for road debt totaling \$89,099 were improperly posted to public works disbursement code instead of principal and interest in the Special Revenue Road fund.

The Township should improve its control procedures to ensure all amounts are properly recorded in the accounting system and related financial statements. The Township should also adjust future budgeted receipts (estimated resources) and disbursements (appropriations) for those weaknesses that affected fund balances. Failure to adequately monitor the budget could result in overspending and negative fund balances.

8. Bank Reconciliations

<i>Finding Number</i>	2015-008
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SIGNIFICANT DEFICIENCY

Ohio Administrative Code § 117-2-02 (B) specifies that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that certain assertions are achieved for all transaction types and account balances applicable to the local public office's operations. Such assertions to consider are: (1) existence/occurrence - that recorded assets exist as of fiscal year end, recorded transactions have occurred and are not fictitious; (2) completeness - that all account balances and transactions that should be included in the financial records are included.

Ohio Administrative Code § 117-2-02 (D) states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include: (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.

**Finding Number 2015-008
(Continued)**

In 2014, the Township had the following issues regarding reconciling balances at year end:

- Seven checks totaling \$7,015 were outstanding longer than one year
- Medicaid EFT deposits, for the month of September, totaling \$2,551 were not recorded in the accounting system
- Three deposits, for the month of November, totaling \$898 were not recorded in the accounting system
- Health Care Savings account disbursements, for the months of November and December, totaling \$3,014 were not recorded in the accounting system.
- Federal and State payroll tax disbursements, for the months of November and December, totaling \$24,181 were not recorded in the accounting system.
- Miscellaneous receipts and disbursements, for the months of April, May, July, and September, totaling \$106, were not recorded in the accounting system or recorded in error.
- Five disbursements totaling \$887 were outstanding at year end, but were not included on the UAN outstanding check report.
- A disbursement, in the amount of \$208, was not included in the UAN outstanding check report.

In 2015, the Township had the following issues regarding reconciling balances at year end:

- The bank reconciliation initially provided was not complete and accurate. The December 31 fund balance did not agree to the financial statements and contained reconciling items that had been posted to the accounting system at year end. The bank reconciliation was subsequently corrected by the Fiscal Officer for the discrepancies.
- Nine checks totaling \$7,090 were outstanding longer than one year
- Three deposits, for the month of May, totaling \$150 were not recorded in the accounting system
- Health Care Savings account disbursements that accrued throughout the year, totaling \$17,019 were not recorded in the accounting system.
- Sweep account interest for the months of January to November totaling \$1,944 was not recorded in the accounting system.
- A 2014 disbursement, in the amount of \$208, was not included on the UAN outstanding check report.
- A disbursement in the amount of \$270 was recorded in error.

The Township lacked procedures over the reconciliation process.

The Township should take steps to help ensure all accounts are reconciled on a monthly basis and any unreconciled variances investigated and corrected in a timely manner. The Township should additionally take steps to alleviate or adjust outstanding reconciling items after being fully investigated and approved by the Board of Trustees. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and evidenced as approved by an individual with appropriate fiscal authority. The monthly bank reconciliation should be included in the monthly financial reports submitted to the Board for their review and approval.

The Township should implement policies and procedures which would include reviewing the outstanding check list and remove any outstanding checks longer than six months. These outstanding checks should be placed in an unclaimed money fund.

9. **Medicount Management Ambulance and EMS Billings**

<i>Finding Number</i>	2015-009
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SIGNIFICANT DEFICIENCY

The Township contracts with Medicount Management which acts as an outside processing service organization. Medicount Management processes the Township's ambulance and EMS billings and maintains the accounts receivable balances. Medicount Management provides an annual SSAE No. 16 SOC 1 report with Complimentary Entity User Considerations. Medicount Management recommends the following control procedures:

The EMS Agency (the Township) shall provide Medicount with at least thirty (30) days advance written notice of any changes to any EMS Services and any applicable BLS, ALS, ALS2 and mileage rate changes. No rate change shall be applicable until EMS Agency has received written notice from Medicount acknowledging the rate change notice. Upon such rate change, EMS Agency must monitor relevant Medicount reports to confirm the rate changes have been implemented. Medicount shall not be responsible for any losses, delays in payment, or any lost revenue resulting from EMS Agency's failure to follow these policies.

On May 4, 2015, the Board of Trustees passed Board Motion 15-71 which increased the rates for basic life support from \$500 to \$550; advanced life support II from \$750 to \$850; and related mileage from \$11/mile to \$14/mile. However, the rates did not take effect until February 2016 due to the following:

- The Township did not provide a timely written notice to Medicount Management as required.
- The Township did not perform a review over monthly billing reports made available by Medicount Management.

The Township lacked procedures to help ensure EMS amounts were properly billed.

The Township should review the annual Standards for Attestation Engagements No. 16 SOC 1 report for Medicount Management. The Township should implement policies and procedures that address the applicable SOC 1 Report Complimentary Entity Control Considerations. The Township should perform monthly reviews of Medicount Management reports to help ensure all billings are complete and accurate.

Official's Response: We did not receive a response from Officials to these findings

**LIBERTY TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Issue 2 and Ohio Department of Transportation Grant Funds	No	Repeated as Finding 2015-001
2013-002	Improper Posting of Receipts and Disbursements	No	Repeated as Finding 2015-007
2013-003	Actual Disbursements Exceeded Appropriations	No	Repeated as Finding 2015-002
2013-004	Finding for Recovery Repaid Under Audit-Attorney Payroll	Yes	Finding No Longer Valid

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Dave Yost • Auditor of State

LIBERTY TOWNSHIP

TRUMBULL 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 9, 2017