



Dave Yost • Auditor of State



**LIBERTY TOWNSHIP  
GUERNSEY COUNTY  
DECEMBER 31, 2016 and 2015**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Liberty Township  
Guernsey County  
P.O. Box 22  
Kimbolton, Ohio 43749-9778

To 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, Guernsey County, Ohio (the Township), as of and for the year ended December 31, 2016. We were engaged to audit the financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Township as of and for the year ended December 31, 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 § 117.38 and Ohio Administrative Code § 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. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph however, we were unable to obtain sufficient appropriate audit evidence to opine on the December 31, 2015 financial statements.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion on the December 31, 2016 financial statements.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles for year ended December 31, 2016***

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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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 for year ended December 31, 2016***

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, or changes in financial position thereof for the year then ended.

***Basis for Disclaimer of Opinion for year ended December 31, 2015***

The Township did not provide any accounting records or support documentation to support Township activity for the period January 1, 2015 through December 31, 2015.

***Disclaimer of Opinion for year ended December 31, 2015***

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient evidence to provide a basis for an audit opinion on the December 31, 2015 financial statements. Accordingly we do not express an opinion on these financial statements.

***Opinion on Regulatory Basis of Accounting for year ended December 31, 2016***

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

***Emphasis of Matter***

As discussed in Note 10 to the 2016 financial statements, during 2017 the Township settled a lawsuit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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 6, 2018

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**Liberty Township**

Guernsey County, Ohio

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	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$33,744	\$83,783	\$0	\$0	\$117,527
Licenses, Permits and Fees	523	0	0	0	523
Intergovernmental	14,295	93,478	12,174	3,569	123,516
Special Assessments	0	4,180	0	0	4,180
Earnings on Investments	8	0	0	0	8
Miscellaneous	475	206	0	0	681
<i>Total Cash Receipts</i>	<u>49,045</u>	<u>181,647</u>	<u>12,174</u>	<u>3,569</u>	<u>246,435</u>
<b>Cash Disbursements</b>					
Current:					
General Government	29,608	23,779	0	0	53,387
Public Safety	0	17,000	0	0	17,000
Public Works	0	104,002	0	7,768	111,770
Health	0	10,466	0	0	10,466
Debt Service:					
Principal Retirement	0	0	8,800	0	8,800
Interest and Fiscal Charges	0	0	3,358	0	3,358
<i>Total Cash Disbursements</i>	<u>29,608</u>	<u>155,247</u>	<u>12,158</u>	<u>7,768</u>	<u>204,781</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>19,437</u>	<u>26,400</u>	<u>16</u>	<u>(4,199)</u>	<u>41,654</u>
<i>Fund Cash Balances, January 1</i>	<u>29,382</u>	<u>90,532</u>	<u>0</u>	<u>8,379</u>	<u>128,293</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	116,932	16	4,180	121,128
Assigned	42,019	0	0	0	42,019
Unassigned (Deficit)	6,800	0	0	0	6,800
<i>Fund Cash Balances, December 31</i>	<u>\$48,819</u>	<u>\$116,932</u>	<u>\$16</u>	<u>\$4,180</u>	<u>\$169,947</u>

See accompanying notes to the basic financial statements

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**LIBERTY TOWNSHIP  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Liberty Township, Guernsey 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. The Township contracts with the Liberty Community Volunteer Fire Department to provide fire protection services.

If the Township has been declared in any state of fiscal distress by the Auditor of State's office, a brief summary of the date of declaration, and establishment of a financial planning and supervision commission (if fiscal emergency), and a summary of the financial recovery plan should be included here.

The Township participates in OTARMA public entity risk pool. Note 6 to the financial statements provides additional information for these entity.

**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:

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

***Fire Levy Fund*** The fund receives property tax money for providing fire protection.

***Debt Service Fund*** This fund accounts 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

***Miscellaneous Debt Service Fund*** This fund is used to retire note debt

***Capital Project Fund*** This fund accounts 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 fund:

LIBERTY TOWNSHIP  
GUERNSEY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Issue I Fund** This fund receives Issue I monies from the Guernsey County Engineer for road maintenance.

**Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

**Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

**Estimated Resources** Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 cancelled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

**Fund Balance**

Fund balance is divided into three 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:

**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.

**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.

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

*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 – Budgetary Activity**

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,337	\$49,045	\$10,708
Special Revenue	171,566	181,647	10,081
Debt Service	0	12,174	12,174
Capital Projects	12,175	3,569	(8,606)
Total	\$222,078	\$246,435	\$24,357

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,719	\$29,608	\$38,111
Special Revenue	262,018	155,247	106,771
Debt Service	8,379	12,158	(3,779)
Capital Projects	12,175	7,768	4,407
Total	\$350,291	\$204,781	\$145,510

**Note 4 – 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:

Demand deposits	2016 \$169,947
Total deposits and investments	\$169,947

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS).

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**Note 5 – 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.

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

**Note 6– Risk Management**

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

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

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

Casualty and Property Coverage

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

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

Financial Position

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

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

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**Note 6– Risk Management (Continued)**

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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

<b>2016 Contributions to OTARMA</b>
\$7.367

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

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some of the Township's employees and 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. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

***Social Security***

Three Township elected officials contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**Note 8 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016,

**Note 9 – Debt**

Debt outstanding at December 31, 2016, was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$94,200	3.50%
Total	\$94,200	

The Township issued \$103,000 Township Equipment Bonds, Series 2015, dated June 24, 2015 through USDA at 3.5% interest for a period of 10 years to finance the purchase of a new dump truck and mowing equipment for Township road maintenance. The Township's taxing authority collateralized the bonds.

***Amortization***

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

Year Ending December 31:	General Obligation Bonds
2017	\$12,397
2018	12,378
2019	12,350
2020	12,410
2021	12,356
2022-2025	49,550
Total	\$111,441

**Note 10 – Litigation**

The lawsuit between a former employee and the Township was settled on September 15, 2017. Also, the Auditor of State is conducting a special investigation. As of the date of this report, the investigation is ongoing. The results of the investigation will be reported at a later date.



**Liberty Township***Guernsey County, Ohio**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	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$27,406	\$26,815	\$0	\$54,221
Licenses, Permits and Fees	523	0	0	523
Intergovernmental	18,759	432,638	7,686	459,083
Special Assessments	0	13,435	0	13,435
Miscellaneous	647	0	0	647
<i>Total Cash Receipts</i>	<u>47,335</u>	<u>472,888</u>	<u>7,686</u>	<u>527,909</u>
<b>Cash Disbursements</b>				
Current:				
General Government	24,341	184,677	0	209,018
Public Works	1,314	1,314	0	2,628
Other	7,665	273,718	8,906	290,289
<i>Total Cash Disbursements</i>	<u>33,320</u>	<u>459,709</u>	<u>8,906</u>	<u>501,935</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>14,015</u>	<u>13,179</u>	<u>(1,220)</u>	<u>25,974</u>
<i>Fund Cash Balances, January 1</i>	<u>15,367</u>	<u>77,353</u>	<u>9,599</u>	<u>102,319</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	90,532	8,379	98,911
Unassigned (Deficit)	29,382	0	0	29,382
<i>Fund Cash Balances, December 31</i>	<u><u>\$29,382</u></u>	<u><u>\$90,532</u></u>	<u><u>\$8,379</u></u>	<u><u>\$128,293</u></u>

*See accompanying notes to the basic financial statements*

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**LIBERTY TOWNSHIP  
GUERNSEY COUNTY**

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

**Note 1 – Reporting Entity**

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If the Township has been declared in any state of fiscal distress by the Auditor of State's office, a brief summary of the date of declaration, and establishment of a financial planning and supervision commission (if fiscal emergency), and a summary of the financial recovery plan should be included here.

The Township participates in OTARMA public entity risk pool. Note 6 to the financial statements provides additional information for these entity.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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***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:

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***Fire Levy Fund*** The fund receives property tax money for providing fire protection.

***Capital Project Fund*** This fund accounts 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 fund:

***Issue I Fund*** This fund receives Issue I monies from the Guernsey County Engineer for road maintenance.

LIBERTY TOWNSHIP  
GUERNSEY COUNTY

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

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 cancelled, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 3.

***Fund Balance***

Fund balance is divided into two 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:

***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.

***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  
GUERNSEY COUNTY**

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

**Note 3 – Budgetary Activity**

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,746	\$47,335	\$13,589
Special Revenue	171,931	472,888	300,957
Capital Projects	7,686	7,686	0
Total	\$213,363	\$527,909	\$314,546

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,113	\$33,320	\$15,793
Special Revenue	245,463	459,709	(214,246)
Capital Projects	3,822	8,906	(5,084)
Total	\$298,398	\$501,935	(\$203,537)

**Note 4 – 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
Demand deposits	\$128,293
Total deposits and investments	\$128,293

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS).

**Note 5 – 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.

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

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY**

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

**Note 6– Risk Management**

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 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.

	<b>2015</b>
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

At December 31, 2015 the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. 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 \$3,000.

LIBERTY TOWNSHIP  
GUERNSEY COUNTY

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

**Note 6– Risk Management (Continued)**

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

<b>2015 Contributions to OTARMA</b>
\$7.000

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

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some of the Township's employees and 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. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

***Social Security***

Three Township elected officials contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**Note 8 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015.

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY**

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

**Note 9 – Contingent Liabilities**

The Auditor of State is conducting a special investigation. As of the date of this report, the investigation is ongoing. The results of the investigation will be reported at a later date.





# 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  
Guernsey County  
P.O. Box 22  
Kimbolton, Ohio 43749-9778

To 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, Guernsey County, Ohio (the Township), as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We were engaged to audit the financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Township as of and for the year ended December 31, 2015; however we issued a disclaimer of opinion on the December 31, 2015 financial statement and related notes.

### ***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 a significant deficiency.

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. We consider Findings 2016-001 and 2016-002 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2016-003 described in the accompanying Schedule of Findings to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2016-001.

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 6, 2018

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Noncompliance and Material Weakness**

**Ohio Rev. Code § 149.351(A)** provides that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided under Section 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

For 2015, the Township building, where all Township records are maintained and stored was broken into and all accounting records, in addition to all supporting documentation were stolen. The only records provided for audit was the 2015 minutes.

The Township should adopt procedures to help safeguard Township accounting records.

**FINDING NUMBER 2016-002**

**Material Weakness**

The Township should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets document compliance with finance-related legal and contractual requirements and prepare financial statements. As part of this accounting system, the Township should have procedures in place for a review of transactions posted by the Fiscal Officer.

During 2016, the Fiscal Officer posted certain transactions incorrectly as follows:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements. The Township improperly reported appropriations in excess of estimated receipts in the General Fund as unassigned instead of assigned, in the amount of \$42,019.
- The Township improperly classified expenditures in their financial statements for the General Fund as Public Works, in the amount of \$2,540, as Other Expenditures, in the amount of \$3,258 instead of General Government in the amount of \$5,808.
- The Township improperly classified expenditures in their financial statements for the Special Revenue Fund as General Government, in the amount of \$128,497, instead as Public Safety, in the amount of \$17,000, as Health, in the amount of \$10,466 and as Public Works, in the amount of \$101,031.
- The Township improperly classified expenditures in their financial statements for the Capital Projects Fund as General Government, in the amount of \$7,768 instead of Public Works, in the amount of \$7,768.

These errors were due to a lack of management oversight. As a result, these significant reclassifications with which the Township's management agrees, were made to the financial statements.

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2016-002 (Continued)**

**Material Weakness (Continued)**

The Fiscal Officer should review Auditor of State Bulletin 2011-004 for proper reporting of fund balances. Someone independent of the Fiscal Officer, preferably a Board of Trustee member, should periodically review postings to the accounting system for accuracy.

**FINDING NUMBER 2016-003**

**Significant Deficiency**

The Township did not consistently prepare monthly bank reconciliations that documented the bank balance agreed to the monthly cashbook fund posting.

Failure to prepare formal monthly bank reconciliations could cause errors to not be detected in a timely manner and causes activity to be recorded in the wrong period. There was no control for Board of Trustee oversight. The bank account did reconcile to the accounting system at December 31, 2016.

The Fiscal Officer should prepare monthly bank reconciliations including a detailed listing of reconciling items such as outstanding checks and deposits in transit. These monthly bank reconciliations should be presented to the Board of Trustees for approval at the monthly meetings.



# Dave Yost • Auditor of State

**LIBERTY TOWNSHIP**

**GUERNSEY 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  
MAY 29, 2018**