



Dave Yost • Auditor of State



**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

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# Dave Yost • Auditor of State

Liberty Township  
Trumbull County  
1315 Churchill Hubbard Rd  
Youngstown, Ohio 44505

To the Board of Trustees:

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

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

## ***Management's Responsibility for the Financial Statements***

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

## ***Auditor's Responsibility***

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles – (Continued)***

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, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Liberty Township, Trumbull County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 8 to the financial statements, the Township has suffered recurring losses from operations and has a General Fund fund balance deficit as of December 31, 2013 of (\$19,936). The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2015, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



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

June 16, 2015

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, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$353,737	\$4,118,432	\$0	\$4,472,169
Charges for Services	0	155,535	0	155,535
Licenses, Permits and Fees	106,907	0	0	106,907
Fines and Forfeitures	12,861	5,318	0	18,179
Intergovernmental	292,283	894,978	40,683	1,227,944
Special Assessments	0	27,020	0	27,020
Earnings on Investments	1,760	0	0	1,760
Miscellaneous	90,808	28,092	0	118,900
<i>Total Cash Receipts</i>	<u>858,356</u>	<u>5,229,375</u>	<u>40,683</u>	<u>6,128,414</u>
<b>Cash Disbursements</b>				
Current:				
General Government	624,479	0	0	624,479
Public Safety	2,450	4,501,530	0	4,503,980
Public Works	180,109	612,064	0	792,173
Health	2,676	2,377	0	5,053
Human Services	6,750	0	0	6,750
Conservation-Recreation	103,537	0	0	103,537
Capital Outlay	0	31,698	50,652	82,350
Debt Service:				
Principal Retirement	0	88,702	0	88,702
Interest and Fiscal Charges	0	7,712	0	7,712
<i>Total Cash Disbursements</i>	<u>920,001</u>	<u>5,244,083</u>	<u>50,652</u>	<u>6,214,736</u>
<i>Receipts (Under) Disbursements</i>	<u>(61,645)</u>	<u>(14,708)</u>	<u>(9,969)</u>	<u>(86,322)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	0	1,747	7,440	9,187
Transfers Out	(9,187)	0	0	(9,187)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(9,187)</u>	<u>1,747</u>	<u>7,440</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(70,832)</u>	<u>(12,961)</u>	<u>(2,529)</u>	<u>(86,322)</u>
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>(313,110)</u>	<u>911,610</u>	<u>8,338</u>	<u>606,838</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	898,649	5,809	904,458
Unassigned (Deficit)	(383,942)	0	0	(383,942)
<i>Fund Cash Balances, December 31</i>	<u><u>(\$383,942)</u></u>	<u><u>\$898,649</u></u>	<u><u>\$5,809</u></u>	<u><u>\$520,516</u></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, 2013**

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$298,785	\$3,908,209	\$0	\$4,206,994
Charges for Services	0	262,957	0	262,957
Licenses, Permits and Fees	109,418	0	0	109,418
Fines and Forfeitures	12,264	8,073	0	20,337
Intergovernmental	592,858	833,778	165,453	1,592,089
Special Assessments	0	25,960	0	25,960
Earnings on Investments	732	0	0	732
Miscellaneous	91,420	110,254	0	201,674
<i>Total Cash Receipts</i>	<u>1,105,477</u>	<u>5,149,231</u>	<u>165,453</u>	<u>6,420,161</u>
<b>Cash Disbursements</b>				
Current:				
General Government	553,369	0	0	553,369
Public Safety	0	4,654,949	0	4,654,949
Public Works	126,637	622,237	0	748,874
Health	5,427	4,460	0	9,887
Conservation-Recreation	50,038	0	0	50,038
Capital Outlay	0	110,270	165,453	275,723
Debt Service:				
Principal Retirement	0	28,842	0	28,842
Interest and Fiscal Charges	0	2,741	0	2,741
<i>Total Cash Disbursements</i>	<u>735,471</u>	<u>5,423,499</u>	<u>165,453</u>	<u>6,324,423</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>370,006</u>	<u>(274,268)</u>	<u>0</u>	<u>95,738</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Notes	0	50,000	0	50,000
Transfers In	0	1,000	0	1,000
Transfers Out	(1,000)	0	0	(1,000)
Advances In	0	5,000	0	5,000
Advances Out	(5,000)	0	0	(5,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(6,000)</u>	<u>56,000</u>	<u>0</u>	<u>50,000</u>
<i>Net Change in Fund Cash Balances</i>	364,006	(218,268)	0	145,738
<i>Fund Cash Balances, January 1</i>	<u>(383,942)</u>	<u>898,649</u>	<u>5,809</u>	<u>520,516</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	680,381	5,809	686,190
Unassigned (Deficit)	(19,936)	0	0	(19,936)
<i>Fund Cash Balances, December 31</i>	<u>(\$19,936)</u>	<u>\$680,381</u>	<u>\$5,809</u>	<u>\$666,254</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, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Liberty Township, 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 8 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage for its members.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Township's accounting basis includes investments as 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. The investments in STAROhio 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:

**1. General Fund**

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

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

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

**1. Summary of Significant Accounting Policies – (Continued)**

**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:

Public Works Commission - The Township received money from the State of Ohio for a waste water project on Belmont/Belgrade Avenue.

**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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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.

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

LIBERTY TOWNSHIP  
TRUMBULL COUNTY

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

1. Summary of Significant Accounting Policies – (Continued)

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.

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.

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

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

**1. Summary of Significant Accounting Policies – (Continued)**

**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:

	2013	2012
Demand deposits	\$205,218	\$262,581
Repurchase agreement	461,036	257,935
Total deposits and investments	\$666,254	\$520,516

**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, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,369,409	\$1,105,477	(\$263,932)
Special Revenue	5,565,600	5,205,231	(360,369)
Capital Projects	165,453	165,453	0
Total	\$7,100,462	\$6,476,161	(\$624,301)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,029,686	\$741,471	\$288,215
Special Revenue	5,315,870	5,423,499	(107,629)
Capital Projects	2,300	165,453	(163,153)
Total	\$6,347,856	\$6,330,423	\$17,433

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

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

**3. Budgetary Activity – (Continued)**

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$915,950	\$858,356	(\$57,594)
Special Revenue	5,421,878	5,231,122	(190,756)
Capital Projects	17,889	48,123	30,234
Total	\$6,355,717	\$6,137,601	(\$218,116)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,007,872	\$929,188	\$78,684
Special Revenue	5,740,626	5,244,083	496,543
Capital Projects	8,337	50,652	(42,315)
Total	\$6,756,835	\$6,223,923	\$532,912

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire fund by \$291,071, in the EMS fund by \$107,904, and the Public Works fund by \$163,153 for the year ended December 31, 2013. Also contrary to Ohio law, at December 31, 2012, budgetary expenditures exceeded appropriation authority in the Public Works fund by \$42,315 for the year ended December 31, 2012.

**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, 2013 was as follows:

	Principal	Interest Rate
General Obligation Note - Ambulance	\$17,500	4.25%
General Obligation Note - Fire Truck Repair	\$50,000	2.75%
Total	\$67,500	

The Township issued general obligation notes to finance the purchase of an ambulance and to make necessary fire truck repairs. The Township's taxing authority collateralized the notes.

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

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

**5. Debt (Continued)**

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

Year ending December 31:	G.O. Ambulance	G.O. Fire Truck Repairs
2014	\$19,426	\$17,881
2015		17,596
2016		17,133
Total	\$19,426	\$52,610

**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 the 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. For 2013 and 2012, OP&F participants contributed 10% of their wages and the Township contributed an amount equaling 24% of full-time fire fighters' wages from January 1, 2012 through June 30, 2013 and OP&F participants contributed 10.75% of their wages and the Township contributed an amount equaling 24% from July 1, 2013 through December 31, 2013.

For 2013 and 2012 OPERS law enforcement members contributed 12.6% and 12.1% respectively, of their gross salaries and the Township contributed an amount equaling 18.10% and 18.10% respectively, of participants' gross salaries.

For 2013 and 2012, OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**7. Risk Management**

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

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

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

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(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, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

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

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$39,896.

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>2013</u>	<u>2012</u>
72,539	70,349

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

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

**7. Risk Management – (Continued)**

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.

**8. Subsequent Events/Going Concern**

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, 2013, the Township's General Fund balance is a negative (\$19,936). Based on the shortage of money and the fire department being the only department with any excess of funds, we had no choice but to use their money. The only outstanding loan is a fire truck loan with a final payment of \$17,133 due in August 2016.

**9. Restatement of Fund Balances**

General Fund and Special Revenue Fund Types fund balances were restated from the prior audit period by (\$400,319) and \$400,319, respectively, due to the Township posting prior period audit adjustments to their accounting system. As a result, the General Fund was restated from \$87,209 to (\$313,110) and the Special Revenue Fund Types were restated from \$511,291 to \$911,610.



# 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 Liberty Township, Trumbull County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2015, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. In addition, we noted the Township has suffered recurring losses from operations and has a General Fund fund deficit as of December 31, 2013.

### ***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 through 2013-004.

***Entity's Response to Findings***

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



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

June 16, 2015

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**1. Issue 2 and Ohio Department of Transportation Grant Funds**

<i>Finding Number</i>	2013-001
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**NONCOMPLIANCE AND MATERIAL WEAKNESS**

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. Furthermore, Auditor of State Bulletin 2002-004 clarifies the application of section 5705.09 to Issue 2 projects, and notes that Board of Trustees should establish, by resolution, a separate capital projects fund to account for each Issue 2 project funded from the Ohio Public Works Commission. Additionally, Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

In 2012, the Township did not establish the required capital projects fund (Issue 2 Project CFU28) in accordance with Ohio Revised Code § 5705.09(F), nor did they record the related revenues of \$12,986 and expenditures of \$12,986. The Township's Issue 2 monies went directly from the Ohio Public Works Commission to the appropriate contractor, as is common procedure with Issue 2 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 Issue 2 project activity within the capital projects fund.)

In 2012, the Township did not establish the required capital project fund (ODOT project PID's 82198 and 85013) in accordance with Ohio Revised Code § 5705.09(F), nor did they record the related revenues of \$17,248 and expenditures of \$17,248. 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 project activity within the capital projects fund.)

We recommend that the Township establish a separate capital projects fund for each Issue 2 or 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.

Official's Response: The Township will establish separate capital project funds for each Issue 2 or grant related project to account for related receipts and disbursements. The Township used account 4401 Public Works Commission Projects fund for Issue 2 monies in 2014 and will open new separate accounts for ODOT projects in the future.

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

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

**2. Improper Posting of Receipts and Disbursements**

<i>Finding Number</i>	2013-002
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**NONCOMPLIANCE AND 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 Property Tax, Intergovernmental, License, Permits and Fees, and Miscellaneous receipt transactions failed to recognize errors related to posting classification because the procedures were inadequate. These include the following:

The control procedures over the review of Property Tax, Intergovernmental, License, Permits and Fees, and Miscellaneous receipt transactions failed to recognize errors related to posting classification because the procedures were inadequate. These include the following:

- In 2012, the Township posted \$8,699 and \$315,827 received from the State of Ohio (for Homestead and Rollback) as Property Tax receipts instead of Intergovernmental receipts for the General and Special Revenue funds, respectively.
- In 2012, the Township posted receipt and disbursement transactions which overstated General Fund Property Tax in the amount of \$15,062; understated General Fund General Government disbursements in the amount of \$2,295 and overstated Lighting Assessment Fund Public Works disbursements in the amount of \$17,357.
- In 2012, Township posted \$86,961 received from cable franchise fees as Miscellaneous receipts instead of License, Permits and Fees receipts for the General Fund.
- In 2013, the Township improperly posted \$10,000 and \$20,000 as Property Tax receipts in the Police District and Fire District funds, respectively, when no such receipts were received by the Township.

The control procedures over the review of disbursement transactions failed to recognize errors related to posting classification and appropriation balances because the procedures were inadequate. These include the following:

- In 2012, the Township improperly posted \$15,062 as a memo expense in the Public Works fund when no such expense actually occurred by the Township. This was done to reduce the improper revenue posted in the General Fund for the same amount.
- In 2012, the Township posted disbursement transactions which overstated Gasoline Tax Fund Public Works disbursements and understated Road and Bridge Fund Public Works disbursements in the amount of \$3,823.
- In 2012, The Township improperly posted a \$3,375 disbursement to the Capital Outlay account in the Capital Project Permanent Improvement Fund. The disbursement related to a community participation fee payable for public transportation. The disbursement should have been posted to the Human Services account in the General Fund.

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

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

**2. Improper Posting of Receipts and Disbursements – (Continued)**

- In 2012, the Township posted their attorney payroll expenditures to the following funds: General Fund in the amount of \$9,190; Road Fund in the amount of \$1,040; Police Fund in the amount of \$17,112; 911 Fund in the amount of \$1,486; and Fire Fund in the amount of \$10,098. Upon review of the attorney invoices submitted for payment, we determined the Township did not post the payroll expenditures to the proper funds. The following errors were noted: General Fund expenditures were understated by \$9,052; Road Fund expenditures were understated by \$419; Police Fund expenditures were overstated by \$8,412; 911 Fund expenditures were understated by \$5,132; and Fire Fund expenditures were overstated by \$6,191.
- In 2013, the Township improperly posted \$30,000 as an expense in the Fire District fund when no such expense actually occurred by the Township. This was done to reduce the improper revenue posted in the Police District and Fire District funds for the same amounts.
- In 2013, the Township posted their attorney payroll expenditures to the following funds: General Fund in the amount of \$1,467; Road Fund in the amount of \$1,600; Police Fund in the amount of \$33,265; 911 Fund in the amount of \$0; and Fire Fund in the amount of \$30,440. Upon review of the attorney invoices submitted for payment, we determined the Township did not post the payroll expenditures to the proper funds. The following errors were noted: General Fund expenditures were understated by \$15,921; Road Fund expenditures were understated by \$1,441; Police Fund expenditures were overstated by \$2,239; 911 Fund expenditures were understated by \$753; and Fire Fund expenditures were overstated by \$15,876.
- In addition, the Township did not update their accounting system for the Board approved 2013 appropriation resolution. Variances existed for all funds at year end for a net difference of \$673,716. Total appropriations approved by Board Resolution #13-45 were \$6,325,668, whereas, total appropriations in the accounting system at December 31, 2013 were \$6,999,384.

The Township's financial statements and accounting system fund balances have been adjusted to properly reflect the errors noted above. However, since the 911 Communication Fund no longer exists, the General Fund's expenditures on the financial statements were increased in 2012 and 2013 by \$5,132 and \$753, respectively, and the General Fund's fund balance was also decreased for these amounts.

We recommend the Township improve its control procedures to ensure all amounts are properly recorded in the accounting system and related financial statements. We also recommend the Township update the accounting system accordingly to reflect the appropriations approved by the Board. Failure to adequately monitor the budget could result in overspending and negative fund balances

Official's Response: The Township will reference the Ohio Township Handbook more closely to more accurately classify receipts and disbursements to the proper accounts and funds where applicable. The audit revealed misclassified items effective June 30, 2015 and changes to future classifications will coincide with the audit release. The Township will become more proactive in updating the accounting system by approving and adjusting appropriations on a regular basis.

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

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

**3. Actual Expenditures Exceeded Appropriations**

<i>Finding Number</i>	2013-003
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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.

At the end of 2013, the Township's expenditures exceeded appropriations for the following:

- Fire Fund in the amount of \$291,071,
- EMS Fund in the amount of \$107,904, and
- Public Works Fund in the amount of \$163,153

At the end of 2012, the Township's expenditures exceeded appropriations in the Public Works Fund in the amount of \$42,315.

We recommend the Township amend the budget as need to ensure expenditures do not exceed appropriations.

**Official's Response:** The Township will review the receipts received on a regular basis in order to increase appropriations to make available funds for disbursement. This should assist Township to amend the budget and ensure expenditures do not exceed appropriations.

**4. Finding for Recovery Repaid Under Audit - Attorney Payroll**

<i>Finding Number</i>	2013-004
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NONCOMPLIANCE

The Township employed Attorney Mark Finamore as legal counsel in 2012 and 2013. The Board of Trustees passed Resolutions 12-07 and 13-07 approving a monthly retainer of \$1,600, for up to sixteen hours of work, and a rate for any additional hours at \$100 per hour. The Township paid the monthly retainer in bi-weekly payments of \$800 in addition to any excess hours billed. However, the Township has stated their intent was to pay Mr. Finamore a weekly retainer of \$400 per week, not \$1,600 per month as stated in their resolutions above.

In 2012, the Township overpaid Mr. Finamore based on the Township's intent to pay Mr. Finamore \$400 per week and \$100 per hour for each additional hour worked as summarized below from our review of this monthly invoices:

Retainer amount (\$400 x 52 weeks)	\$ 20,800
Extra hours	18,775
Additional expenses	25
Less: Unreported payments on invoices (\$20,800-\$19,200)	<u>(1,600)</u>
Total amount earned	38,000
Total paid	<u>38,926</u>
Overpaid	\$ 926

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

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

**4. Finding for Recovery Repaid Under Audit - Attorney Payroll – (Continued)**

In 2013, we noted the Township overpaid Mr. Finamore \$3,000 based on the Township's intent to pay Mr. Finamore \$400 per week and \$100 per hour for each additional hour worked as summarized below from our review of his monthly invoices:

Retainer amount (\$400 x 48 weeks)	\$ 19,200
Extra hours	7,330
Extra hours worked in 2011 but billed and paid in 2013	38,841
Less: Unreported payments on invoices (\$19,200-17,600)	<u>(1,600)</u>
Total amount earned	63,771
Total paid	<u>66,771</u>
Overpaid	\$ 3,000

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Attorney Mark Finamore, in the amount of \$3,926 and in favor of Liberty Township General Fund in the amount of \$320; Road Fund in the amount of \$97; Police Fund in the amount of \$1,901; and the Fire Fund in the amount of \$1,608.

Mr. Finamore has repaid the entire amount to the Township.

**Official's Response:** The Township had Mr. Finamore repay the overpayment that he received that resulted from a clerical error in computation of his compensation. This issue has been corrected going forward and should not occur again because of a review process started to avoid future errors..

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**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

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

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2011-001	Debt Obligations Not Paid From The Proper Funds and Proper Expenditure Codes	No	Repeated in the Management Letter.
2011-002	Amending Estimated Resources	Yes	Finding No Longer Valid
2011-003	Expenditures Exceeded Appropriations	No	Repeated as Finding 2013-003
2011-004	Estimated Resources Exceeded by Appropriations	Yes	Finding No Longer Valid
2011-005	Improper Posting of Receipts	No	Repeated as Finding 2013-002
2011-006	Improper Debt	No	Repeated in the Management Letter
2011-007	Communication Fund Shared Costs	No	Repeated in the Management Letter

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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  
JULY 14, 2015**