



Dave Yost • Auditor of State



LIBERTY TOWNSHIP  
VAN WERT COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Liberty Township  
Van Wert County  
13695 Richey Road  
Van Wert, Ohio 45891

To the Board of Trustees:

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

We have audited the accompanying financial statements and related notes of Liberty Township, Van Wert County, (the Township) as of and for the years ended December 31, 2012 and 2011.

### ***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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, 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, Van Wert County as of December 31, 2012 and 2011, 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 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 8 to the financial statements, during 2011 Liberty Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013, 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

December 9, 2013

**LIBERTY TOWNSHIP  
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<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	\$14,859	\$69,122	\$11,533	\$95,514
Licenses, Permits and Fees	80	21,196		21,276
Intergovernmental	162,208	113,399	1,218	276,825
Earnings on Investments	129	38		167
Miscellaneous		10,772	5	10,777
<b>Total Cash Receipts</b>	<b>177,276</b>	<b>214,527</b>	<b>12,756</b>	<b>404,559</b>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
General Government	41,632			41,632
Public Safety	1,589	20,583		22,172
Public Works		99,201	15,825	115,026
Health	12,731	19,560		32,291
Other			4	4
Capital Outlay		9,378		9,378
<b>Debt Service:</b>				
Principal Retirement			4,286	4,286
Interest and Fiscal Charges			188	188
<b>Total Cash Disbursements</b>	<b>55,952</b>	<b>148,722</b>	<b>20,303</b>	<b>224,977</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>121,324</b>	<b>65,805</b>	<b>(7,547)</b>	<b>179,582</b>
<b>Fund Cash Balances, January 1</b>	<b>89,412</b>	<b>115,787</b>	<b>10,878</b>	<b>216,077</b>
<b>Fund Cash Balances, December 31:</b>				
Restricted		181,592	3,331	184,923
Unassigned (Deficit)	210,736			210,736
<b>Fund Cash Balances, December 31</b>	<b>\$210,736</b>	<b>\$181,592</b>	<b>\$3,331</b>	<b>\$395,659</b>

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

LIBERTY TOWNSHIP  
VAN WERT COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Fiduciary Fund Type</u>
	<u>Private Purpose Trust</u>
<b>Operating Cash Receipts:</b>	
Earnings on Investments	\$0
Total Operating Cash Receipts	<u>          </u>
<b>Operating Cash Disbursements</b>	
Supplies and Materials	13
Total Operating Cash Disbursements	<u>13</u>
Operating Income (Loss)	<u>(13)</u>
Fund Cash Balances, January 1	<u>562</u>
Fund Cash Balances, December 31	<u><u>\$549</u></u>

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

**LIBERTY TOWNSHIP  
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$12,391	\$55,305	\$11,980	\$79,676
Licenses, Permits and Fees	95	10,627		10,722
Intergovernmental	33,775	112,768	1,139	147,682
Earnings on Investments	276	70		346
Miscellaneous		4,981		4,981
Total Cash Receipts	<u>46,537</u>	<u>183,751</u>	<u>13,119</u>	<u>243,407</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
General Government	35,023			35,023
Public Safety	944	20,401		21,345
Public Works		133,434	5,478	138,912
Health	12,767	30,494		43,261
Capital Outlay		11,896	4,500	16,396
<b>Debt Service:</b>				
Principal Retirement			2,479	2,479
Interest and Fiscal Charges			319	319
Total Cash Disbursements	<u>48,734</u>	<u>196,225</u>	<u>12,776</u>	<u>257,735</u>
Excess of Receipts Over (Under) Disbursements	<u>(2,197)</u>	<u>(12,474)</u>	<u>343</u>	<u>(14,328)</u>
Fund Cash Balances, January 1	<u>91,609</u>	<u>128,261</u>	<u>10,535</u>	<u>230,405</u>
<b>Fund Cash Balances, December 31:</b>				
Restricted		115,787	10,878	126,665
Unassigned (Deficit)	89,412			89,412
Fund Cash Balances, December 31	<u>\$89,412</u>	<u>\$115,787</u>	<u>\$10,878</u>	<u>\$216,077</u>

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

**LIBERTY TOWNSHIP  
VAN WERT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Fiduciary Fund Type</b>
	<b>Private Purpose Trust</b>
<b>Operating Cash Receipts:</b>	
Earnings on Investments (trust funds only)	\$8
Total Operating Cash Receipts	8
 <b>Operating Cash Disbursements:</b>	
Supplies and Materials	
Total Operating Cash Disbursements	
 Operating Income (Loss)	8
 Fund Cash Balances, January 1	554
 Fund Cash Balances, December 31	\$562

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

**LIBERTY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Liberty Township, Van Wert 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, and fire protection. The Township contracts with the Village of Ohio City to provide fire services.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information for the risk pool membership.

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 certificates of deposit at costs.

**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.

**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:

**LIBERTY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**Road and Bridge Fund** - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**Gasoline Tax Fund** - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

**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 fund:

**Redevelopment Tax Equivalent Fund** – This fund receives service payments in lieu of taxes to be used to construct infrastructure improvements.

**4. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund receives interest for the maintenance and flowers for graves.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**LIBERTY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(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. Non-spendable**

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

**2. Restricted**

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

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**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  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(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:

	<b>2012</b>	<b>2011</b>
Demand deposits	\$395,708	\$216,139
Certificates of deposit	500	500
Total deposits	\$396,208	\$216,639

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

<b>2012 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 31,281	\$177,276	\$145,995
Special Revenue	203,027	214,527	11,500
Capital Projects	13,800	12,756	(1,044)
Fiduciary	6	6	(6)
Total	\$248,114	\$404,559	\$156,445

<b>2012 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$132,083	\$ 55,952	\$ 76,131
Special Revenue	307,425	148,722	158,703
Capital Projects	24,678	20,303	4,375
Fiduciary	569	13	556
Total	\$464,755	\$224,990	\$239,765

<b>2011 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 34,580	\$ 46,537	\$11,957
Special Revenue	182,801	183,751	950
Capital Projects	13,800	13,119	(681)
Fiduciary	8	8	8
Total	\$231,189	\$243,415	\$12,226

**LIBERTY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2011 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$149,698	\$ 48,734	\$100,964
Special Revenue	287,552	196,225	91,327
Capital Projects	24,334	12,776	11,558
Fiduciary	562		562
Total	\$462,146	\$257,735	\$204,411

**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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. DEBT**

The Richey Road TIF Note was issued in December 2002 and revised in December 2003 in anticipation of tax revenues for the purpose of repair and improvement of Richey and Wren-Landeck Roads. The note matured on October 30, 2012.

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

**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.

**LIBERTY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

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**

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, 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, 2012 and 2011 (the latest information available):

	<b>2012</b>	<b>2011</b>
Assets	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Assets	\$25,416,188	\$25,367,373

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$3,302.

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

<b>Contributions to OTARMA</b>	
<b>2012</b>	<b>2011</b>
\$5,598	\$4,664

**LIBERTY TOWNSHIP  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(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. CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2011, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 did not have an effect on fund balances previously reported.

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# 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  
Van Wert County  
13695 Richey Road  
Van Wert, Ohio 45891

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Liberty Township, Van Wert County, (the Township) as of and for the year ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated December 9, 2013 wherein we noted the Township adopted the provisions of Government Accounting Standards Board Statement No. 54 *Fund Balance and Governmental Fund Type Definitions* for the year ended December 31, 2011. We also noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

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

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

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

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 finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

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 2012-001 and 2012-002.

***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

December 9, 2013

LIBERTY TOWNSHIP  
VAN WERT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

**Material Weakness/Noncompliance – Trustee Salary Allocation**

**Ohio Revised Code Section 505.24(C)** sets forth the method by which township trustees' compensation should be allocated.

By summary, **Ohio Revised Code Section 505.24(C)** permits trustees to received annual salaries instead of per diem payments. As the law existed prior to HB 153, this section of the Ohio Revised Code required townships to provide documentation to support amounts paid from funds other than the general fund.

Effective September 29, 2011, House Bill 153 modified Ohio Rev. Code Section 505.24 (C) to require by a unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

The Township adopted a resolution on May 16, 2011 retroactive back to January 1, 2011 stating that 12% of the salaries should go to the General Fund while 88% of salaries will go to the Gas Tax Fund. The Township Trustees prepared timesheets; however, the timesheets did not follow the resolution and the payment of salaries. Also, starting September 29, 2011, the Trustees did not certify their percentage of time spent working on matters paid from the Gas Tax Fund according to Ohio Rev. Code Section 505.24 (C) as modified by House Bill 153. During 2012 and 2011, this resulted in overcharges of \$5,172 and \$5,297 respectively, to the Gas Tax Fund and in 2012 and 2011, \$526 and \$396 respectively to the Road Fund instead of to the General Fund. The adjustments were made to show these expenditures in the accompanying financial statements and to the Township's manual cash journal ledger.

In the future, the Township should make adjustments to their records at yearend to update the estimated allocation to the actual allocation.

## FINDING NUMBER 2012-002

### Finding for Recovery Repaid Under Audit – Insurance Reimbursement

Pursuant to **Ohio Rev. Code Section 505.60**, if a board of township trustees procures any insurance policies under this section, the board shall provide uniform coverage under these policies for township officers and full-time employees and their immediate dependents. The Township may only reimburse officers or employees if the officer or employee elects not to participate in the township's insurance coverage pursuant to division (A) or if the officer or employee is denied coverage. If any township officer or employee elects not to participate in the township's health care plan or if the officer or employee is denied coverage, the township may reimburse the officer or employee for insurance benefits that the officer or employee otherwise obtains, but not to exceed an amount equal to the average premium paid by the township for its officers and employees under any health care plan it procures under this section.

Townships are creatures of statute and may only exercise the powers expressly conferred by statute and the powers that must necessarily be implied from those express powers...., *New London Township v. Miner*, 26 Ohio St. 452, 456 (1875); *Hopple v. Trustees of Brown*.

The Township provided health insurance for its officers and employees under Ohio Rev. Code Section 505.60. Brandon Bowen, Township Roadman, was not given the opportunity to receive coverage from the township. Instead, Mr. Bowen received insurance reimbursements from Liberty Township in 2012 for an amount equal to the premium that his wife paid for family health insurance. This amount was higher than the average premium payment that the Township Trustees and Fiscal Officer received from the Township. Brandon Bowen received \$8,752 in health insurance reimbursements in 2012 while the average Trustees and Clerk's yearly premium was \$2,092. The Township is not permitted to unilaterally exclude certain officers or employees from health insurance coverage. Further, if an officer or employee elects not receive coverage from the township, or if the officer or employee elects not be covered by the township's plan, the township is statutorily limited as to the amount that may be reimbursed. 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 Brandon Bowen in the amount of \$6,660 and in favor of the Township's Road and Bridge Fund.

The Township received check #1072 from Mr. Bowen in the amount of \$6,660 as repayment and deposited it into its bank account on December 17, 2013.

#### Officials Response:

We did receive a response from Officials to these findings.



# Dave Yost • Auditor of State

**LIBERTY TOWNSHIP**

**VAN WERT 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  
DECEMBER 31, 2013**