



Dave Yost • Auditor of State

LIBERTY TOWNSHIP
DARKE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - Fiduciary Fund Type - For the Year Ended December 31, 2015	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - Fiduciary Fund Type - For the Year Ended December 31, 2014	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	F1

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Liberty Township
Darke County
111 Cross Street
PO Box 69
Palestine, Ohio 45352

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Liberty Township, Darke County, (the Township) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Liberty Township, Darke County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016, 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

November 21, 2016

**LIBERTY TOWNSHIP
DARKE COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$32,657	\$133,292	\$165,949
Charges for Services		16,888	16,888
Licenses, Permits and Fees	1,554		1,554
Intergovernmental	24,291	106,812	131,103
Earnings on Investments	91		91
Miscellaneous	219	4,580	4,799
<i>Total Cash Receipts</i>	<u>58,812</u>	<u>261,572</u>	<u>320,384</u>
Cash Disbursements			
Current:			
General Government	47,102	238,244	285,346
Health	8,957		8,957
<i>Total Cash Disbursements</i>	<u>56,059</u>	<u>238,244</u>	<u>294,303</u>
<i>Net Change in Fund Cash Balances</i>	2,753	23,328	26,081
<i>Fund Cash Balances, January 1</i>	<u>133,069</u>	<u>718,241</u>	<u>851,310</u>
Fund Cash Balances, December 31			
Restricted		606,269	606,269
Committed		135,300	135,300
Assigned	114,385		114,385
Unassigned (Deficit)	21,437		21,437
<i>Fund Cash Balances, December 31</i>	<u>\$135,822</u>	<u>\$741,569</u>	<u>\$877,391</u>

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

LIBERTY TOWNSHIP
DARKE COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Fiduciary Fund Types</u>
	<u>Private Purpose Trust</u>
Operating Cash Receipts:	
Earnings on Investments	\$6
Total Operating Cash Receipts	<u>6</u>
Operating Cash Disbursements:	
Purchased Services	65
Total Operating Cash Disbursements	<u>65</u>
Operating (Loss)	<u>(59)</u>
Fund Cash Balances, January 1	<u>4,169</u>
Fund Cash Balances, December 31	<u><u>\$4,110</u></u>

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

**LIBERTY TOWNSHIP
DARKE COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$23,469	\$115,535	\$139,004
Charges for Services		20,670	20,670
Licenses, Permits and Fees	25		25
Intergovernmental	30,695	96,923	127,618
Earnings on Investments	88		88
Miscellaneous	1,336	4,546	5,882
<i>Total Cash Receipts</i>	<u>55,613</u>	<u>237,674</u>	<u>293,287</u>
Cash Disbursements			
Current:			
General Government	56,277	182,634	238,911
Health	8,963		8,963
<i>Total Cash Disbursements</i>	<u>65,240</u>	<u>182,634</u>	<u>247,874</u>
<i>Net Change in Fund Cash Balances</i>	(9,627)	55,040	45,413
<i>Fund Cash Balances, January 1</i>	<u>142,696</u>	<u>663,201</u>	<u>805,897</u>
Fund Cash Balances, December 31			
Restricted		592,090	592,090
Committed		126,151	126,151
Assigned	106,747		106,747
Unassigned (Deficit)	26,322		26,322
<i>Fund Cash Balances, December 31</i>	<u><u>\$133,069</u></u>	<u><u>\$718,241</u></u>	<u><u>\$851,310</u></u>

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

**LIBERTY TOWNSHIP
DARKE COUNTY**

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

	Private Purpose Trust
Operating Cash Receipts	
Earnings on Investments	4
<i>Total Operating Cash Receipts</i>	4
Operating Cash Disbursements	
Purchased Services	49
<i>Total Operating Cash Disbursements</i>	49
<i>Operating (Loss)</i>	(45)
<i>Fund Cash Balances, January 1</i>	4,214
<i>Fund Cash Balances, December 31</i>	\$4,169

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

**LIBERTY TOWNSHIP
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Liberty Township, Darke 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, maintenance of Township roads and bridges, fire protection and emergency medical services.

The Township participates in Ohio Plan Risk Management, Inc., a jointly administered self-insurance risk management program. Note 6 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits

The Township has a checking account and certificates of deposits, which are carried at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is 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:

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

**LIBERTY TOWNSHIP
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Motor Vehicle License Tax Fund – This fund receives motor vehicle license tax money for constructing, maintaining, and repairing Township roads.

Cemetery Fund – This fund receives money from the sale of plots and the opening and closing of graves for the operation and maintenance of the Cemetery.

Fire District Fund – This fund receives proceeds from the property tax levy and receipts from other Townships to pay for fire protection services provided by the Township's Volunteer Fire Department.

3. 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 funds are for the benefit of certain individuals.

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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments.

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 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 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**LIBERTY TOWNSHIP
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 at December 31 was as follows:

**LIBERTY TOWNSHIP
DARKE COUNTY**

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

	2015	2014
Demand deposits	\$877,390	\$851,310
Certificates of deposit	4,110	4,169
Total deposits	\$881,500	\$855,479

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

3. BUDGETARY ACTIVITY

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

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,000	\$58,812	\$23,812
Special Revenue	180,000	261,572	81,572
Trust		6	6
Total	\$215,000	\$320,390	\$105,384

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$141,747	\$56,059	\$85,688
Special Revenue	709,563	238,244	471,319
Trust		65	(65)
Total	\$851,310	\$294,368	\$556,942

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,000	\$55,613	\$20,613
Special Revenue	188,000	237,674	49,674
Trust		4	4
Total	\$223,000	\$293,291	\$70,291

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$142,696	\$65,240	\$77,456
Special Revenue	663,200	182,634	\$480,566
Trust		49	(\$49)
Total	\$805,896	\$247,923	\$557,973

**LIBERTY TOWNSHIP
DARKE COUNTY**

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

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. 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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, 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, 2015.

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.

**LIBERTY TOWNSHIP
DARKE COUNTY**

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

6. RISK MANAGEMENT (Continued)

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014 (the latest information available):

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

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$5,194.

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

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$9,800	\$8,606

**LIBERTY TOWNSHIP
DARKE COUNTY**

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

6. 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.

7. RELATED PARTY TRANSACTIONS

A Township Trustee is the owner of a company from which the Township acquired electrical services during 2015 and 2014. The Township paid \$722 and \$1,882, respectively for the services.

8. SUBSEQUENT EVENTS

During 2016, Spectra Energy Services damaged a Township road while performing electric repairs and agreed to pay for the road repairs based upon the best estimate less approximately 20 percent for depreciation of the road. On March 22, 2016 the Township received an \$18,125 bid from Wagner Paving for the road repairs, which was subsequently approved by the Trustees on May 2, 2016. Spectra Energy Services paid \$15,000 to the Township on April 7, 2016 as their portion of the road repairs. Additionally, on May 2, 2016, the Township Trustees approved a \$35,600 contract with Wagner Paving for road paving.

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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
Darke County
111 Cross St
PO Box 69
Palestine, Ohio 45352

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Liberty Township, Darke County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated November 21, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

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

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audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

November 21, 2016

LIBERTY TOWNSHIP
DARKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

Material Weakness - Financial Statement Misstatements

The Township presented its 2015 and 2014 financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. The following errors noted in the Township's financial statements were determined to be qualitatively or quantitatively material and required audit adjustments to properly present the Township's financial activity:

- **Governmental Accounting Standards Board (GASB) Statement No. Paragraph 16 (Codification 1800.176)**, Fund Balance Reporting and Governmental Fund Type Definitions requires that when the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. Stated differently, if appropriations (temporary or annual) exceed estimated receipts (not resources), the excess is to be assigned as it uses existing fund balance at year end. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance. The Township did not include the \$114,385 excess of 2016 appropriations over estimated receipts as assigned fund balance in the General Fund for 2015. The Township did not include the \$106,747 excess of 2015 appropriations over estimated receipts as assigned fund balance in the General Fund for 2014.
- **Governmental Accounting Standards Board (GASB) Statement No. 54 Paragraph 8 (Codification 1800.168)** states, in part, that Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes where the restrictions are externally imposed. The Township failed to report \$606,269 of the 2015 Special Revenue Funds ending fund balance as restricted and \$592,090 of the 2014 Special Revenue Funds ending balance as restricted.
- **Auditor of State Bulletin 2011-004** states that when the Road and Bridge Fund is funded by property taxes with inside millage, that the constraint on the resources is internally imposed by the Township Trustees and must be recorded as committed fund balance. The Township's Road and Bridge Fund receives property taxes from inside millage and reported the fund balance in 2015 and 2014 of \$135,300 and \$126,151 respectively as unassigned fund balance rather than as committed fund balance.
- The Township recorded 2014 estate tax receipt of \$18,276 in the General Fund as Property and Other Local Taxes rather than Intergovernmental Receipts.
- The Township recorded 2015 and 2014 homestead and rollback received from the state, net of related fees as miscellaneous receipts entirely in the General Fund. Therefore, 2015 General Fund miscellaneous receipts were overstated, Intergovernmental Receipts were understated, Cash Balances were overstated, and related expenditures were understated by \$13,299, \$3,545, \$9,885, and \$131, respectively, and 2014 General Fund miscellaneous receipts were overstated, Intergovernmental Receipts were understated, Cash Balances were overstated, and related expenditures were understated by \$11,064, \$2,516, \$8,677, and \$129, respectively. 2015 Special Revenue Fund Intergovernmental Receipts were understated, Cash Balances were understated, and related expenditures were understated by \$10,350, \$9,887, and \$463 and 2014 Special Revenue Fund Intergovernmental Receipts were understated, Cash Balances were understated, and related expenditures were understated by \$8,924, \$8,466, and \$458. This error was also corrected in the Township's accounting ledgers.
- The Township recorded 2015 and 2014 Special Revenue Permissive Motor Vehicle License Tax Receipts of \$7,029 and \$6,749, respectively as Miscellaneous Receipts rather than Other Local Taxes.

- The Township recorded 2015 and 2014 General Fund Liquor Permit Receipts of \$329 and \$329, respectively as Licenses, Fees, and Permits rather than Intergovernmental Receipts.
- The Township recorded 2015 General Fund Senate Bill 243 Funding Receipts of \$6,630 as Miscellaneous Receipts rather than Intergovernmental Receipts.
- The Township's 2014 General Fund beginning balance was understated by \$142,696; the Townships 2015 and 2014 Special Revenue Funds beginning balances were understated by \$718,241 and \$663,201, respectively.
- The Township failed to report the 2015 and 2014 Bequest Funds on the Private Purpose Trust Fund. Therefore, 2015 beginning balances receipts, expenditures and ending fund balances were understated by \$4,169, \$6, \$65, and \$4,110. 2014 Private Purpose Trust Funds beginning balances receipts, expenditures and ending fund balances were understated \$4,214 \$4, \$49, and \$4,169, respectively. Additionally, the Township did not provide documentation to support the use of the funds; however, the Township Trustees agreed that all four bequest funds should be reported as private purpose trust funds as the funds were for the benefit of outside parties (individuals).

The following errors noted in the Township's financial statement were determined to be immaterial and therefore, did not require adjustments to properly present the Township's financial activity:

- The Township recorded the sales of cemetery lots as Miscellaneous Receipts. Therefore, 2015 and 2014 Special Revenue Funds Miscellaneous Receipts were overstated and Charges for Services were understated by \$3,050 and \$2,125, respectively.

The Township should establish and implement policies and procedures to verify the accuracy of amounts reported in the financial statements in accordance with applicable accounting standards. Failure to do so could result in the users of the financial statements basing their conclusions on materially misstated financial data.

Official's Response:

We did not receive a response from Officials to this finding.



Dave Yost • Auditor of State

LIBERTY TOWNSHIP

DARKE 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
JANUARY 5, 2017**