



Dave Yost • Auditor of State





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Liberty Township  
Ross County  
PO Box 151  
Londonderry, Ohio 45647

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Liberty Township (the Township) on the receipts, disbursements and balances recorded in the Township's cash basis accounting records for the years ended December 31, 2017 and 2016 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Township. The Township is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2017 and 2016 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Township. The sufficiency of the procedures is solely the responsibility of the parties specified in this report.

Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

### Cash

1. We recalculated the December 31, 2017 and December 31, 2016 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2016 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2015 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2017 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2016 balances in the Fund Ledger Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2017 and 2016 fund cash balances reported in the Fund Status Report. The amounts agreed.
4. We observed the year-end Star Ohio and Huntington National bank balances on the financial institution's website. The balances agreed. We confirmed the remaining December 31, 2017 bank account balances with the Township's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2017 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2017 bank reconciliation:
  - a. We traced each debit to the subsequent January bank statements. We found no exceptions.
  - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. There were no exceptions.

6. We inspected investments held at December 31, 2017 and December 31, 2016 to determine that they:
  - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions.
  - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We noted no exceptions.

### **Property Taxes and Intergovernmental**

1. We haphazardly selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2017 and one from 2016:
  - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report. The amounts agreed.
  - b. We inspected the Receipt Register Report to confirm the receipt was allocated to the proper funds as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. Receipt numbers 183-2016 and 187-2017 posted to General Bond Retirement (Fire) fund (3103) for \$16,375.00 and \$14,929.41, respectively, should have been posted to the Special Fire Levy #2 fund. However, this was done under the direction of the County Auditor.
  - c. We inspected the Receipt Register Report to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Receipt Register Report to determine whether it included two real estate tax receipts for 2017 and 2016. The Receipt Register Report included the proper number of tax receipts for each year.
3. We selected all receipts from the State Distribution Transaction Lists (DTL) from 2017 and all receipts from 2016. We also haphazardly selected five receipts from the County Auditor's DTLs from 2017 and five from 2016.
  - a. We compared the amount from the above reports to the amount recorded in the Receipt Register Report. The amounts agreed.
  - b. We inspected the Receipt Register Report to determine that these receipts were allocated to the proper funds. We found no exceptions.
  - c. We inspected the Receipt Register Report to determine whether the receipts were recorded in the proper year. We found no exceptions.

### **Over-The-Counter Cash Receipts**

We haphazardly selected 10 over-the-counter cash receipts from the year ended December 31, 2016 recorded as receipts and:

- a. Agreed the receipt amount to the amount recorded in the Receipt Register Report. The amounts agreed.
- b. Confirmed the amounts charged complied with rates in force during the period. We found no exceptions.

- c. Inspected the Receipt Register Report to determine the receipt was posted to the proper funds, and was recorded in the proper year. We found no exceptions.

**Debt**

1. From the prior audit documentation, we observed the following bond was outstanding as of December 31, 2015. This amount agreed to the Township's January 1, 2016 balances on the summary we used in procedure 3.

Issue	Principal outstanding as of December 31, 2015:
2001 General Obligation Bond – Fire Station	\$225,000

2. We inquired of management, and inspected the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2017 or 2016 or debt payment activity during 2017 or 2016. All debt agreed to the summary we used in procedure 3. There were no new debt issuances.
3. We obtained a summary of bond debt activity for 2017 and 2016 and agreed principal and interest payments from the related debt amortization schedule to General Bond Retirement Fire fund payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the Township made the payments. We found no exceptions.

**Payroll Cash Disbursements**

1. We haphazardly selected one payroll check for five employees from 2017 and one payroll check for five employees from 2016 from the Wage Detail Report and:
  - a. We compared the hours and pay rate, or salary recorded in the Wage Detail Report to supporting documentation (time sheet, legislatively or statutorily-approved rate or salary). We found no exceptions.
  - b. We inspected the fund and account codes to which the check was posted to determine the posting was reasonable based on the employees' duties as documented in the timesheets or as required by statute. We also confirmed the payment was posted to the proper year. We found three exceptions of payroll checks not being posted to reasonable fund and account codes. Payments to Trustees that were not paid from the correct funds according to payroll certifications resulted in the following errors:
    - The payroll certification for Trustee Dale Turner for pay period ending June 30, 2016 indicated his payroll allocation was to be 54% from the General Fund, 27% from the Road and Bridge Fund, and 19% from the Cemetery Fund. His actual payroll allocation was 73% from the General Fund and 27% from the Road and Bridge Fund. This resulted in \$171.04 more paid from the General Fund and \$171.04 less paid from the Cemetery Fund than the amount certified.
    - The payroll certification for Trustee Dean Carroll for pay period ending October 31, 2016 indicated his payroll allocation was to be 39% from the General Fund, 44% from the Road and Bridge Fund, and 17% from the Cemetery Fund. His actual payroll allocation was 56% from the General Fund and 44% from the Gasoline Tax Fund. This resulted in \$145.75 more paid from the General Fund, \$377.23 less paid from the Road and Bridge Fund, \$145.75 less paid from the Cemetery Fund and \$377.23 more paid from the Gasoline Tax Fund than the amount certified.

- The payroll certification for Trustee Raymond McWhorter for pay period ending August 31, 2017 indicated his payroll allocation was to be 25% from the General Fund, 50% from the Road and Bridge Fund, and 25% from the Cemetery Fund. His actual payroll allocation was 25% from the General Fund 50% from the Gasoline Tax Fund and 25% from the Cemetery Fund. This resulted in \$428.67 less paid from the Road and Bridge Fund and \$428.67 more paid from the Gasoline Tax Fund than the amount certified.
- The overall results for all three Trustees was \$316.79 more paid from the General Fund, \$805.90 less paid from the Road and Bridge Fund, \$316.79 less paid from the Cemetery Fund and \$805.90 more paid from the Gasoline Tax Fund than the amount certified. We brought this to management's attention and they corrected the General, Road and Bridge, Gasoline Tax and Cemetery Fund.

Because we did not inspect all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

2. For any new employees selected in procedure 1 we inspected the employees' personnel files and/or minute record for the following information and compared it with the information used to compute gross and net pay related to this check:
  - a. Name
  - b. Authorized salary or pay rate
  - c. Department(s) and fund(s) to which the check should be charged
  - d. Retirement system participation and payroll withholding
  - e. Federal & State income tax withholding authorization and withholding

We found no exceptions related to procedures a. – e. above.

3. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2017 to confirm remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period of 2017. We observed the following:

<b>Withholding (plus employer share, where applicable)</b>	<b>Date Due</b>	<b>Date Paid</b>	<b>Amount Due</b>	<b>Amount Paid</b>
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2018	January 17, 2018	\$1,189.41	\$1,189.41
State income taxes	January 15, 2018	January 5, 2018	\$209.05	\$209.05
OPERS retirement	January 30, 2018	January 16, 2018	\$1,837.38	\$1,837.38

4. For the pay periods ended September 30, 2017 and May 31, 2016, we recomputed the allocation of the Boards' salaries to the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Cemetery Fund per the Wage Detail Report. We found exceptions for each Trustee for both pay periods. The funds from which the Trustees were paid did not agree to their supporting certifications.

For pay period ending September 30, 2017, the following errors were found:

- The payroll certification for Trustee Dale Turner indicated his payroll allocation was to be 48% from the General Fund, 34% from the Road and Bridge Fund, and 18% from the Cemetery Fund. His actual payroll allocation was 48% from the General Fund, 18% from the Cemetery Fund and 34% from the Gasoline Tax Fund. This resulted in \$259.68 less paid from the Road and Bridge Fund and \$259.68 more paid from the Gasoline Tax Fund than the amount certified.
- The payroll certification for Trustee Dean Carroll indicated his payroll allocation was to be 44% from the General Fund, 34% from the Road and Bridge Fund, and 22% from the Cemetery Fund. His actual payroll allocation was 44% from the General Fund, 22% from the Cemetery Fund and 34% from the Gasoline Tax Fund. This resulted in \$291.49 less paid from the Road and Bridge Fund and \$291.49 more paid from the Gasoline Tax Fund than the amount certified.
- The payroll certification for Trustee Raymond McWhorter indicated his payroll allocation was to be 25% from the General Fund, 25% from the Road and Bridge Fund, and 50% from the Cemetery Fund. His actual payroll allocation was 25% from the General Fund, 50% from the Cemetery Fund and 25% from the Gasoline Tax Fund. This resulted in \$214.33 less paid from the Road and Bridge Fund and \$214.33 more paid from the Gasoline Tax Fund than the amount certified.

The overall results for all three Trustees was \$765.50 less paid from the Road and Bridge Fund, and \$765.50 more paid from the Gasoline Tax Fund than the amount certified. We brought this to management's attention and they corrected the Road and Bridge and Gasoline Tax Fund.

For pay period ending May 31, 2016, the following errors were found:

- The payroll certification for Trustee Dale Turner indicated his payroll allocation was to be 51% from the General Fund, 34% from the Road and Bridge Fund, and 15% from the Cemetery Fund. His actual payroll allocation was 66% from the General Fund and 34% from the Gasoline Tax Fund. This resulted in \$135.03 more paid from the General Fund, \$306.07 less paid from the Road and Bridge Fund, \$135.03 less paid from the Cemetery Fund and \$306.07 more paid from the Gasoline Tax Fund than the amount certified.
- The payroll certification for Trustee Dean Carroll indicated his payroll allocation was to be 43% from the General Fund, 43% from the Road and Bridge Fund, and 14% from the Cemetery Fund. His actual payroll allocation was 50.33% from the General Fund, 6.67% from the Cemetery Fund and 43% from the Gasoline Tax Fund. This resulted in \$62.84 more paid from the General Fund, \$368.65 less paid from the Road and Bridge Fund, \$62.84 less paid from the Cemetery Fund and \$368.65 more paid from the Gasoline Tax Fund than the amount certified.
- The payroll certification for Trustee Raymond McWhorter indicated his payroll allocation was to be 25% from the General Fund, 50% from the Road and Bridge Fund, and 25% from the Cemetery Fund. His actual payroll allocation was 50% from the General Fund and 50% from the Gasoline Tax Fund. This resulted in \$214.33 more paid from the General Fund, \$428.67 less paid from the Road and Bridge Fund, \$214.33 less paid from the Cemetery Fund and \$428.67 more paid from the Gasoline Tax Fund than the amount certified.

The overall results for all three Trustees was \$412.20 more paid from the General Fund, \$1,103.39 less paid from the Road and Bridge Fund, \$412.20 less paid from the Cemetery Fund and \$1,103.39 more paid from the Gasoline Tax Fund than the amount certified. We brought this to management's attention and they corrected the General, Road and Bridge, Gasoline Tax and Cemetery Fund.

Because we did not inspect all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred

5. For the pay periods described in the preceding procedure, we traced the Boards' salary for time or services performed to supporting certifications the Revised Code requires. We found no exceptions. .
6. We inquired of management and inspected the Payment Register Detail Report for the years ended December 31, 2017 and 2016 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. Insurance reimbursements made were in compliance with ORC 505.60 and 505.601 and federal regulations, except for the Fiscal Officer and Trustee Dale Turner. The Fiscal Officer's and Trustee's terms began in 2016 and they were ineligible for reimbursement per Op. Atty. Gen. No. 2017-007, but received reimbursement. Per AOS Bulletin 2017-002, findings for recovery will not be issued until audit performed for periods after December 31, 2017.

### **Non-Payroll Cash Disbursements**

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2017 and ten from the year ended 2016 and determined whether:
  - a. The disbursements were for a proper public purpose. We found no exceptions.
  - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Register Detail Report and to the names and amounts on the supporting invoices, except for five of the twenty check numbers did not agree to the check numbers recorded on the Payment Register Detail Report. The Fiscal Officer indicated this was due to not having checks in the printer when trying to print them.
  - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
  - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found six instances where the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not inspect all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.



### Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resources* required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Cemetery and Special Fire Levy #1 funds for the years ended December 31, 2017 and 2016. The amounts on the *Certificate* did not agree to the amounts recorded in the accounting system for either year. For 2016, the Revenue Status Report recorded budgeted (i.e. certified) receipts for the General, Cemetery and Special Fire Levy #1 of \$73,919, \$54,471, and \$100,068 respectively. However, the final *Amended Official Certificate of Estimated Resources* reflected \$73,942, \$52,919, and \$95,641 respectively. For 2017, the Revenue Status Report recorded budgeted (i.e. certified) receipts for the General, Cemetery and Special Fire Levy #1 of \$76,450, \$62,300, and \$55,000 respectively for 2016. However, the final *Amended Official Certificate of Estimated Resources* reflected \$78,150, \$57,328, and \$55,565 respectively. The fiscal officer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.
2. We inspected the appropriation measures adopted for 2017 and 2016 to determine whether, for the General, Cemetery and Special Fire Levy #1 funds, the Trustees appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2017 and 2016 for the following funds: General, Gasoline Tax and Special Fire Levy #2 funds. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Cemetery and Special Fire Levy #1 funds for the years ended December 31, 2017 and 2016. There were no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2017 and 2016 for the General, Cemetery, and Special Fire Levy #1 funds, as recorded in the Appropriation Status Report. There were no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We inspected the Receipt Register Detail Report for evidence of new restricted receipts requiring a new fund during December 31, 2017 and 2016. We also inquired of management regarding whether the Township received new restricted receipts. The Township established the Fire and Rescue, Ambulance and EMS Serv. fund during 2016 to segregate EMS squad run receipts and disbursements in compliance with Section 505.84.
7. For funds existing in prior years, we inspected the fund activity to determine whether the fund is still being used for the statutorily approved purpose and that all the required funds were established. All the required funds were established and no funds for which the statutorily approved purpose was no longer valid were included on the accounting records.

8. We inspected the 2017 and 2016 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers exceeding \$5,000 which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner (effective after June 30, 2017) or Court of Common Pleas (effective through June 30, 2017).
9. We inquired of management and inspected the Appropriation Status Reports to determine whether the Township elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13 or 5705.132. The Township did not establish these reserves.
10. We inspected the Cash Summary by Fund Report for the years ended December 31, 2017 and 2016 for negative cash fund balances. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. No fund had a negative cash fund balance.

#### **Compliance – Contracts & Expenditures**

We inquired of management and inspected the Payment Register Detail Report for the years ended December 31, 2017 and 2016 to determine if the Township proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project \$15,000-\$45,000) or to construct or reconstruct Township roads (cost of project \$5,000-\$15,000/per mile) for which Ohio Rev. Code Section 5575.01 requires the county engineer to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the county engineer to complete a force account cost estimate.

#### **Other Compliance**

Ohio Rev. Code Section 117.38 requires townships to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies, in addition to filing extensions granted for extenuating circumstances, allow for refiling complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System for December 31, 2017 and 2016 fiscal year ends included in 2015-2016 or 2016-2017 agreed up on procedure engagements, subsequent to the Township's deadline where the initial filing was filed on time but incomplete. We confirmed the Township filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy, within the allotted timeframe for the years ended December 31, 2017 and 2016 in the Hinkle system. There were no exceptions.

This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Township's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is to provide assistance in the evaluation of the Township's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2017 and 2016, and certain compliance requirements related to these transactions and balances and 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 initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

May 3, 2018

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# Dave Yost • Auditor of State

**LIBERTY TOWNSHIP**

**ROSS 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  
JUNE 21, 2018**