



OHIO AUDITOR OF STATE
KEITH FABER



LIBERTY TOWNSHIP
JACKSON COUNTY

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INDEPENDENT AUDITOR'S REPORT

Liberty Township
Jackson County
12538 Beaver Pike
Jackson, Ohio 45640

To the Governing Body:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of Liberty Township, Jackson County, Ohio (the Township), which comprises the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2021, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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.



Keith Faber
Auditor of State
Columbus, Ohio

July 22, 2021

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Liberty Township
Jackson County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$114,523	\$86,460	\$0	\$200,983
Intergovernmental	33,218	293,245	177,446	503,909
Earnings on Investments	193	94	0	287
Miscellaneous	407	0	44,782	45,189
<i>Total Cash Receipts</i>	<u>148,341</u>	<u>379,799</u>	<u>222,228</u>	<u>750,368</u>
Cash Disbursements				
Current:				
General Government	127,552	4,573	0	132,125
Public Safety	0	92,010	0	92,010
Public Works	11,742	143,044	320,996	475,782
Health	0	80	0	80
Other	0	44,782	0	44,782
Capital Outlay	0	100,939	70,640	171,579
<i>Total Cash Disbursements</i>	<u>139,294</u>	<u>385,428</u>	<u>391,636</u>	<u>916,358</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>9,047</u>	<u>(5,629)</u>	<u>(169,408)</u>	<u>(165,990)</u>
Other Financing Receipts				
Other Debt Proceeds	0	100,939	0	100,939
Sale of Capital Assets	0	0	4,140	4,140
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>100,939</u>	<u>4,140</u>	<u>105,079</u>
<i>Net Change in Fund Cash Balances</i>	9,047	95,310	(165,268)	(60,911)
<i>Fund Cash Balances, January 1</i>	<u>41,584</u>	<u>98,639</u>	<u>360,903</u>	<u>501,126</u>
<i>Fund Cash Balances, December 31</i>	<u>\$50,631</u>	<u>\$193,949</u>	<u>\$195,635</u>	<u>\$440,215</u>

See accompanying notes to the basic financial statements

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Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Liberty Township, Jackson 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.

Public Entity Risk Pool

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Fire Fund The Fire Fund accounts for and reports the portion of fire levy taxes restricted for Fire Department use only.

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:

Permissive Sales Tax Fund This fund receives revenue from a Permissive Sales Tax from the County for permanent improvement projects within the Township.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2021 (Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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. Unencumbered appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2021 budgetary activity appears in Note 4.

Deposits

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.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2021 (Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gasoline Tax Fund and Fire Department Fund by \$24,395 and \$3,359, respectively, for the year ended December 31, 2021.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2021 (Continued)

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$156,407	\$148,341	(\$8,066)
Special Revenue	285,334	480,738	195,404
Capital Projects	163,966	226,368	62,402
Total	\$605,707	\$855,447	\$249,740

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$197,991	\$139,294	\$58,697
Special Revenue	379,369	385,798	(6,429)
Capital Projects	524,869	391,636	133,233
Total	\$1,102,229	\$916,728	\$185,501

Note 5 – Deposits

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit account is as follows:

	2021
<i>Cash Management Pool:</i>	
Demand deposits	\$440,215

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2021 (Continued)

Note 6 – Property Taxes (Continued)

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

Note 7 – Risk Management

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2021</u>
Cash and investments	\$34,880,599
Actuarial liabilities	\$10,601,444

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All Township 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2021.

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2021.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2021 (Continued)

Note 10 – Debt

Debt outstanding at December 31, 2021, was as follows:

	Principal	Interest Rate
Lease Purchase	\$100,939	2.50%

The Township issued a lease to purchase for a new John Deere backhoe for Township road maintenance.

Amortization

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

Year Ending December 31:	Leases
2022	\$18,347
2023	18,347
2024	18,347
2025	18,347
2026	18,347
2027	18,349
Total	\$110,084

Note 11 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Total
Nonspendable:				
Unclaimed Monies	\$0	\$0	\$0	\$0
Corpus	0	0	0	0
Outstanding Encumbrances	0	370	0	370
Total	\$0	\$370	\$0	\$370

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds are restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2021 (Continued)

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Township received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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Liberty Township
Jackson County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$100,033	\$83,887	\$0	\$183,920
Intergovernmental	44,084	277,950	438,573	760,607
Earnings on Investments	30	14	0	44
Miscellaneous	12,262	740	0	13,002
<i>Total Cash Receipts</i>	<u>156,409</u>	<u>362,591</u>	<u>438,573</u>	<u>957,573</u>
Cash Disbursements				
Current:				
General Government	126,961	0	0	126,961
Public Safety	0	205,274	0	205,274
Public Works	10,276	113,623	129,858	253,757
Capital Outlay	4,400	473	0	4,873
<i>Total Cash Disbursements</i>	<u>141,637</u>	<u>319,370</u>	<u>129,858</u>	<u>590,865</u>
<i>Excess of Receipts Over Disbursements</i>	<u>14,772</u>	<u>43,221</u>	<u>308,715</u>	<u>366,708</u>
<i>Fund Cash Balances, January 1</i>	<u>26,812</u>	<u>55,418</u>	<u>52,188</u>	<u>134,418</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$41,584</u></u>	<u><u>\$98,639</u></u>	<u><u>\$360,903</u></u>	<u><u>\$501,126</u></u>

See accompanying notes to the basic financial statements

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Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Liberty Township, Jackson 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.

Public Entity Risk Pool

The Township participates in the Ohio Township Risk Management Authority (OTARMA), a public entity risk pool. Note 6 to the financial statements provide additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Fire Fund The Fire Fund accounts for and reports the portion of fire levy taxes restricted for Fire Department use only.

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:

Permissive Sales Tax Fund This fund receives revenue from a Permissive Sales Tax from the County for permanent improvement projects within the Township.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2020 (Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2020 budgetary activity appears in Note 3.

Deposits

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.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2020 (Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 9.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2020 (Continued)

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$133,074	\$156,409	\$23,335
Special Revenue	337,322	362,591	25,269
Capital Projects	154,641	438,573	283,932
Total	\$625,037	\$957,573	\$332,536

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$157,944	\$141,637	\$16,307
Special Revenue	381,858	319,370	62,488
Capital Projects	219,653	129,858	89,795
Total	\$759,455	\$590,865	\$168,590

Note 4 – Deposits

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit accounts are as follows:

	2020
<i>Cash Management Pool:</i>	
Demand deposits	\$501,126

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; y pledged by the financial institution to the Township; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2020 (Continued)

Note 5 – Property Taxes (Continued)

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

Note 6 – Risk Management

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2020</u>
Cash and investments	\$36,348,066
Actuarial liabilities	\$ 10,894,146

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

All Township 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2020.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2020 (Continued)

Note 9 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. As of December 31, 2020, there were no nonspendable balances.

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds are restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Liberty Township
Jackson County
12538 Beaver Pike
Jackson, Ohio 45640

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of the Liberty Township, Jackson County, Ohio (the Township), and have issued our report thereon dated July 22, 2021, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2021-003 and 2021-004 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2021-001 and 2021-002.

Township's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Township's responses to the Findings identified in our audit and described in the accompanying Schedule of Findings. The Township's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

July 22, 2021

LIBERTY TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-001

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Township's Gasoline Tax Fund and Fire Department Fund had expenditures in excess of appropriations of \$24,395 and \$3,359, respectively, as of December 31, 2021.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Board of Trustees should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response: Fiscal Officer will take more time in reviewing and know what the expenditures are and the amount of the appropriations available.

FINDING NUMBER 2021-002

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required meet the obligation or, the case of continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively.

1. "Then and Now" certificate – If the chief fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board of Trustees can authorize the drawing of a warrant for the payment of the amount due. The Board of Trustees has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions or taxing units may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

LIBERTY TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020
(Continued)

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

FINDING NUMBER 2021-002 (Continued)

Noncompliance - Ohio Rev. Code § 5705.41(D)(1) (Continued)

2. Blanket Certificate – The auditor or fiscal officer may prepare “blanket” certificates for a certain sum of money, not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Board of Trustees may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel oil, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Due to deficiencies in internal controls, seventy one percent of the transactions tested at year-end were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative fund cash balances. Further, the Township had one blanket certificate each year for medical insurance of \$58,000 and \$52,800, respectively for 2021 and 2020, and the Board had not established a maximum blanket certificate amount for these expenditures.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used. Further, the Board should approve a maximum amount for each specific blanket certificate use for each specific line item account.

Officials’ Response: Fiscal Officer will review and have a better understanding of the different types of certificates and utilize them accordingly.

FINDING NUMBER 2021-003

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

LIBERTY TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020
(Continued)

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

FINDING NUMBER 2021-003

Material Weakness (Continued)

The following errors were noted in the financial statements that required audit adjustments or reclassification:

In 2020:

- General Fund intergovernmental receipts of \$7,970 were incorrectly posted as property tax receipts;
- Motor Vehicle License Tax Fund intergovernmental receipts of \$1,191 were incorrectly posted to the Gasoline Tax Fund; and
- Gasoline Tax Fund public works disbursements of \$92,915 were incorrectly posted as public safety disbursements.

In 2021:

- General Fund intergovernmental receipts of \$17,577 were incorrectly posted as property tax receipts;
- Gasoline Tax Fund loan proceed receipts and capital outlay disbursements of \$100,939 were unrecorded;
- Gasoline Tax Fund public works disbursements of \$94,879 were incorrectly posted as public safety disbursements;
- Gasoline Tax Fund intergovernmental receipts and public works disbursements of \$47,200 were unrecorded;
- Fire Fund intergovernmental receipts of \$2,434 were incorrectly posted as property tax receipts;
- FEMA Fund other disbursements of \$44,782 were incorrectly posted as human service disbursements; and
- Permissive Sales Tax Capital Projects Fund miscellaneous receipts of \$44,782 were incorrectly posted as intergovernmental receipts.

The audited financial statements and the Township's UAN accounting system have been adjusted for the issues noted above.

The Fiscal Officer should review the Township handbook for guidance to ensure financial statements are complete and accurate.

Officials' Response: Fiscal Officer will review the Township handbook for guidance to help with understanding the funds. With the receipt of COVID and FEMA money, the Fiscal Officer was a little overwhelmed and will hopefully be more educated through this audit.

FINDING NUMBER 2021-004

Material Weakness

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

**LIBERTY TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2021-004 (Continued)

Material Weakness (Continued)

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

At December 31, 2021, estimated receipts as approved by the Budget commission did not agree to the Township's accounting system for the following fund:

	Approved	UAN System	Variance
Miscellaneous Capital Projects Fund	\$163,965	\$204,547	(\$40,582)

At December 31, 2021, appropriations as approved by the Board of Trustees did not agree to the Township's accounting system for the following funds:

	Approved	UAN System	Variance
Fire Fund	\$87,844	\$92,448	(\$4,604)
Miscellaneous Capital Project Fund	522,094	562,676	(40,582)

Special Revenue appropriations were understated \$45,976 in the notes to the financial statements at December 31, 2020. In addition, Special Revenue and Capital Projects appropriations were overstated \$4,604 and \$40,582, respectively, at December 31, 2021. The notes to the financial statements have been corrected for these errors.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by the Board were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response: The Fiscal Officer will try and be more current in notifying the County Auditor for any changes in the Certificate of Estimated Resources and Appropriations.

Liberty Township Board of Trustees

12538 Beaver Pike
 Jackson, Ohio 45640
 740-286-5807
 740-988-0005 (fax)

Steve Riegel – Chairman
 360 Rock Run Rd.
 Jackson, Ohio 45640
 740-710-1766

Bill Rafferty – Vice Chairman
 4527 Whaletown Rd.
 Jackson, Ohio 45640
 740-988-1400

Kevin Meredith – Trustee
 10057 St. Rt. 776
 Jackson, Ohio 45640
 740-286-0376

Jill Newman – Fiscal Officer
 11741 Beaver Pike
 Jackson, Ohio 45640
 740-988-2011

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2021 AND 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Finding for Recovery/Noncompliance for payroll overpayment.	Fully Corrected.	
2019-002	Ohio Rev. Code § 5705.41(D)(1) – Not properly encumbering.	Not corrected.	Officials were unaware that all blanket certificates were to have a motion for the allowed amount, therefore the medical insurance expenses were not motioned with an amount which was to be considered what the previous insurance expenses had been in the past for the year. This will be addressed and corrected in August 2022.
2019-003	Material Weakness relating to several incorrect postings.	Not Corrected.	This will be addressed in the exit meeting.

OHIO AUDITOR OF STATE KEITH FABER



LIBERTY TOWNSHIP

JACKSON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 8/4/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov