



Dave Yost • Auditor of State



LIBERTY TOWNSHIP  
TRUMBULL COUNTY

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# Dave Yost • Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Dave Yost**  
Auditor of State

April 18, 2013

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Trumbull County, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

During 2011 and 2010, the Township expended \$85,304 and \$161,388 from the Police District Fund and Fire District Fund, respectively, to pay debt obligations of the General Fund and 911 Communication Fund of \$201,804 and \$44,888, respectively. Ohio Rev. Code § 5705.10(H) restricts the use of the Police District and Fire District funds to expenditures related to operations of those departments. Had these amounts been properly expended from the General Fund and 911 Communication Fund, the effect would have been to decrease the cash fund balance of the General Fund by \$201,804 and to increase the cash fund balance of the Special Revenue Fund Type by \$201,804 as of and for the year ended December 31, 2011.

During 2010 and 2011, the Township also made fund balance adjustments of \$35,700 and \$20,000 from the Police District Fund and Fire District Fund, respectively, to the 911 Communication Fund to pay operating costs of the Telecommunication Center. However, no fund balance adjustments were made out of the General Fund to pay their share of operating costs nor were the fund balance adjustments made in accordance with Liberty Township Board of Trustees' Resolution 2004-064. Had these amounts been properly adjusted from the General Fund, Police District Fund and Fire District Fund, the effect would have been to decrease the cash fund balance of the General Fund by \$8,355 and increase the cash fund balance of the Special Revenue Fund Type by \$8,355 as of and for the year ended December 31, 2009.

In addition, the Township has not repaid all of the findings for adjustment noted in their 2008-09 audit report. Had these amounts been properly adjusted from the General Fund, Police District Fund, Fire District Fund, and the Ambulance and Emergency Medical Services Fund, the effect would have been to decrease the cash fund balance of the General Fund by \$190,160 and increase the cash fund balance of the Special Revenue Fund Type by \$190,160 as of and for the year ended December 31, 2011.

The adjustments required to record these debt payments, Telecommunication Center costs, and prior audit uncorrected findings for adjustments follow:

Fund	Prior Audit Unpaid Findings for Adjustment	December 31, 2010		December 31, 2011	
		Expenditures	Fund Balance	Expenditures	Fund Balance
General	\$ (190,160)	\$ (17,405)	\$ (61,447)	\$ (192,754)	\$(313,110)
911 Communication		(22,444)	(12,380)	(22,444)	(20,563)
Police District	(165,000)	43,419	(65,315)	35,810	13,905
Fire District	325,000	(3,570)	547,974	179,388	584,661
Ambulance & EMS	30,160	0	59,735	0	122,772
Net	0	0		0	

Also, in our opinion, because of the effects for the matters referred to in the three preceding paragraphs, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the General Fund and Special Revenue Fund Type of Liberty Township, Trumbull County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Capital Projects Fund Type of Liberty Township, Trumbull County, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Liberty Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The accompanying financial statements have been prepared assuming that the Township will continue as a going concern. As discussed in Note 8 to the financial statements, The Township has suffered recurring losses from operations and has a General Fund fund balance deficit that raises substantial doubt about its ability to continue as a going concern. Note 8 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

April 18, 2013

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$276,994	\$4,313,122		\$4,590,116
Charges for Services		240,737		240,737
Licenses, Permits and Fees	99,037			99,037
Fines and Forfeitures	12,169	27,274		39,443
Intergovernmental	608,002	941,657	201,524	1,751,183
Special Assessments		28,345		28,345
Earnings on Investments	1,992			1,992
Miscellaneous	93,529	106,391		199,920
<i>Total Cash Receipts</i>	<u>1,091,723</u>	<u>5,657,526</u>	<u>201,524</u>	<u>6,950,773</u>
<b>Cash Disbursements</b>				
Current:				
General Government	518,544			518,544
Public Safety	200	4,659,532		4,659,732
Public Works	305,151	613,036		918,187
Health	6,666	1,855		8,521
Conservation-Recreation	144,938			144,938
Capital Outlay		70,592	351,781	422,373
Debt Service:				
Principal Retirement	25,000	256,515		281,515
Interest and Fiscal Charges		24,737		24,737
<i>Total Cash Disbursements</i>	<u>1,000,499</u>	<u>5,626,267</u>	<u>351,781</u>	<u>6,978,547</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>91,224</u>	<u>31,259</u>	<u>(150,257)</u>	<u>(27,774)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		1,000	153,322	154,322
Transfers Out	(154,322)			(154,322)
Advances In	10,000	5,000		15,000
Advances Out	(5,000)	(10,000)		(15,000)
Other Financing Uses	(811)			(811)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(150,133)</u>	<u>(4,000)</u>	<u>153,322</u>	<u>(811)</u>
<i>Net Change in Fund Cash Balances</i>	(58,909)	27,259	3,065	(28,585)
<i>Fund Cash Balances, January 1</i>	<u>146,118</u>	<u>484,032</u>	<u>5,273</u>	<u>635,423</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	497,180	4,316	501,496
Assigned	0	14,111	4,022	18,133
Unassigned (Deficit)	87,209	0	0	87,209
<i>Fund Cash Balances, December 31</i>	<u>\$87,209</u>	<u>\$511,291</u>	<u>\$8,338</u>	<u>\$606,838</u>

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

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$263,522	\$4,261,293	\$0	\$4,524,815
Charges for Services	0	187,227		187,227
Licenses, Permits, and Fees	106,738			106,738
Fines and Forfeitures	19,823	7,255		27,078
Intergovernmental	819,304	943,303	73,505	1,836,112
Special Assessments	0	25,299		25,299
Earnings on Investments	1,962			1,962
Miscellaneous	71,808	64,514		136,322
	<u>1,283,157</u>	<u>5,488,891</u>	<u>73,505</u>	<u>6,845,553</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	724,840			724,840
Public Safety	130	4,593,984		4,594,114
Public Works	196,943	665,732		862,675
Health	3,213	10,881		14,094
Conservation - Recreation	112,954			112,954
Capital Outlay	0	31,237	122,569	153,806
Debt Service:				
Redemption of Principal	100,000	44,438		144,438
Interest and Other Fiscal Charges		21,580		21,580
	<u>1,138,080</u>	<u>5,367,852</u>	<u>122,569</u>	<u>6,628,501</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>145,077</u>	<u>121,039</u>	<u>(49,064)</u>	<u>217,052</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Loan Proceeds		70,000		70,000
Transfers-In			46,952	46,952
Transfers-Out	(46,952)			(46,952)
Advances-In	100,000	80,000		180,000
Advances-Out	(80,000)	(100,000)		(180,000)
	<u>(26,952)</u>	<u>50,000</u>	<u>46,952</u>	<u>70,000</u>
<b>Total Other Financing Receipts / (Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	118,125	171,039	(2,112)	287,052
Fund Cash Balances, January 1	<u>27,993</u>	<u>312,993</u>	<u>7,385</u>	<u>348,371</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$146,118</u></u>	<u><u>\$484,032</u></u>	<u><u>\$5,273</u></u>	<u><u>\$635,423</u></u>
Reserve for Encumbrances, December 31	<u>\$3,362</u>	<u>\$20,483</u>	<u>\$0</u>	<u>\$23,845</u>

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

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**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**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, Trumbull 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, police protection, fire protection and emergency medical services.

The Township participates in the Ohio Township Association 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.

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values repurchase agreements at cost. The investments in STAROhio are recorded at share values the mutual funds report.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

Police District Fund - This fund receives property tax money to pay for the general operation of the police department.

Fire District Fund - This fund receives property tax money for the general operation of the fire department.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds

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

Permanent Improvement Fund – This fund provides for the maintenance of the Township buildings.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**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.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Deposits and Investments**

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2011	2010
Demand deposits	\$215,696	\$31,718
Total deposits	215,696	31,718
STAR Ohio	0	806
Repurchase agreement	391,142	602,899
Total investments	391,142	603,705
Total deposits and investments	\$606,838	\$635,423

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

The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,293,557	\$1,091,723	(\$201,834)
Special Revenue	5,811,813	5,658,526	(153,287)
Capital Projects	201,173	354,845	153,672
Total	\$7,306,543	\$7,105,094	(\$201,449)

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

Contrary to Ohio law, actual receipts did not meet budgeted receipt amounts in the General Fund by \$201,834, the Police District fund by \$94,434, and the Fire District fund by \$58,853 for the year ended December 31, 2011.

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,200,688	\$1,155,632	\$45,056
Special Revenue	5,707,306	5,626,267	81,039
Capital Projects	351,781	351,781	0
Total	\$7,259,775	\$7,133,680	\$126,095

Contrary to Ohio law, appropriations exceeded estimated resources in the Ohio Public Works fund by \$145,335.

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,483,203	\$1,283,157	(\$200,046)
Special Revenue	5,737,883	5,558,891	(178,992)
Capital Projects	45,995	120,457	74,462
Total	\$7,267,081	\$6,962,505	(\$304,576)

Contrary to Ohio law, actual receipts did not meet budgeted receipt amounts in the General Fund by \$200,046, the Police District fund by \$122,535 and the Fire District fund by \$101,799 for the year ended December 31, 2010.

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,442,223	\$1,188,394	\$253,829
Special Revenue	5,644,908	5,388,335	256,573
Capital Projects	53,640	122,569	(68,929)
Total	\$7,140,771	\$6,699,298	\$441,473

Contrary to Ohio law, expenditures were greater than appropriations in the Permanent Improvement Fund by \$68,929. Also contrary to Ohio law, appropriations exceeded actual receipts in the General Fund by \$159,066.

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(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.

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

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

**5. Debt**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
General Obligation Note -911 System	\$60,620	5.44%
General Obligation Notes - Police Car	21,924	7.18%
General Obligation Notes - Ambulance	52,500	4.25%
Total	\$135,044	

The general obligation notes were issued for the purposes of (1) upgrading the 911 telecommunications system, (2) purchasing two police cruisers, and (3) purchasing an ambulance. The Township's taxing authority collateralized the notes.

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

	G.O. 911 System	G.O. Police Cars	G.O. Ambulance	Total Debt Payments
Year ending December 31:				
2012	\$22,444	\$12,156	\$19,427	\$54,027
2013	22,444	12,156	19,426	\$54,026
2014	22,444		19,426	\$41,870
Total	\$67,332	\$24,312	\$58,279	\$149,923

**6. Retirement Systems**

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). The law enforcement employees belong to the PERS-Public Safety. Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**6. Retirement Systems – (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP & F participants contributed 10% of their wages and the Township contributed an amount equaling 24% of full time fire fighters' wages.

For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries.

For 2011 and 2010 OPERS law enforcement members contributed 11.6% and 11.1% respectively, of their gross salaries and the Township contributed an amount equaling 18.10 % and 17.87%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**7. Risk Management**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**7. Risk Management – (Continued)**

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, 2010 and 2009 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	(9,718,792)	(10,664,724)
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$52,236.

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>2011</u>	<u>2010</u>
\$70,589	\$58,353

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**8. Subsequent Events/Going Concern**

As of December 31, 2012, the Township's unadjusted General Fund balance is a negative (\$336,710). This condition raises substantial doubt about the Township's ability to continue as a going concern. Based on the shortage of money and the fire department being the only department with any excess of funds, we had no choice but to use their money. The only two outstanding loans are a police car loan, the last payment is due May 2013 for \$12,155.00 and a new ambulance loan with a payment of \$19,426.00 due in August of this year and final payment due August 2014.



# Dave Yost • Auditor of State

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

Liberty Township  
Trumbull County  
1315 Churchill-Hubbard Road  
Youngstown, Ohio 44505

To the Board of Trustees:

We have audited the financial statements of Liberty Township (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated April 18, 2013 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and that the Township adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54). In addition, we noted there is substantial doubt as to the Township's ability to continue as a going concern. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). Government Auditing Standards considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, Government Auditing Standards permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §117.11(A) mandates the Auditor of State to audit Ohio governments. We also noted there were material unrecorded adjustments in the General Fund and Special Revenue Fund Type because the Township expended money from the Police District Fund and Fire District Fund to pay debt obligations of the General Fund and 911 Communication Fund contrary to Ohio Rev. Code Section 5705.10(H) and because the Township made fund balance adjustments from the Police District and Fire District funds to the 911 Communication Fund to pay operating costs of the Telecommunication Center, however, no fund balance adjustments were made out of the General Fund to pay their share of operating costs nor were the fund balance adjustments made in accordance with Liberty Township Board of Trustees' Resolution 2004-064. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 and 2011-005 described in the accompanying schedule of findings to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 through 2011-004, 2011-006 and 2011-007.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 18, 2013.

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

We intend this report solely for the information and use of management, Township Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

April 18, 2013

LIBERTY TOWNSHIP  
TRUMBULL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010

1. Debt Obligations Not Paid From The Proper Funds And Proper Expenditure Codes

<i>Finding Number</i>	2011-001
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**Noncompliance and Material Weakness**

**Finding for Adjustment**

Ohio Revised Code Section 5705.10 (H) requires that money paid into any fund shall be used only for the purpose for which such fund is established.

The Township had the following outstanding debt obligations during 2010 and 2011: two general obligation tax anticipation notes, a general obligation tax anticipation note for its 911 System, a general obligation tax anticipation note for the purchase of police vehicles, and two promissory notes for ambulance purchases.

We noted the following errors regarding the payment of such debt obligations during 2010:

- Interest payments for the two general obligation tax anticipation notes totaling \$12,050 were improperly paid from the Police District Fund, instead of from the General Fund.
- Principal and interest payments for the 911 System totaling \$22,444 were improperly paid from the Police District Fund, instead of from the 911 Communications Fund.
- Principal and interest payments for the police vehicles debt and ambulance debt were improperly posted to the public safety expenditure code, instead of to principal and interest.

We noted the following errors regarding the payment of such debt obligations during 2011:

- Principal and interest payments for the two general obligation tax anticipation notes totaling \$161,388 and \$22,488 were improperly paid from the Fire District Fund and Police District Fund, respectively, instead of from the General Fund.
- Interest payments for one of the general obligation tax anticipation notes totaling \$5,878 was improperly paid from the Police District Fund, instead of from the General Fund.
- Principal and interest payments for the 911 System totaling \$22,444 were improperly paid from the Police District Fund, instead of from the 911 Communications Fund.
- Principal and interest payments for the police vehicles debt and ambulance debt were improperly posted to the public safety expenditure code, instead of to principal and interest.

The Township's financial statements have been adjusted to properly show the errors in the 3<sup>rd</sup> and 4<sup>th</sup> bulletin points during 2010 and 2011, respectively. No adjustments to the Township's accounting system were required.

However, Township officials have declined to record all other aforementioned adjustments, and the accompanying financial statements do not reflect these adjustments.

**1. Debt Obligations Not Paid From The Proper Funds And Proper Expenditure Codes- (Continued)**

The adjustments to return these monies to the proper funds follow:

<b>FUND</b>	<b>FUND BALANCE DECEMBER 31, 2011</b>
General Fund	\$(201,804)
Police District Fund	85,304
911 Communications	(44,888)
Fire District Fund	161,388

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund and 911 Communications Fund in the amounts of \$201,804 and \$44,888 respectively, and in favor of the Police District Fund and Fire District Fund in the amounts of \$85,304 and \$161,388, respectively.

**Official's Response:** We have closed the post office and the dispatch center. As employees retire, we are not replacing them. In the upcoming year, there are four employees with high salaries who are considering retirement. We do not plan to cut any services to the citizens of Liberty Township, at this time.

**2. Amending Estimated Resources**

<b>Finding Number</b>	<b>2011-002</b>
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**Noncompliance**

Ohio Revised Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

At the end of 2011, actual receipts did not meet budgeted receipt amounts in the General Fund by \$201,834, the Police District Fund by \$94,434, and the Fire District Fund by \$58,853.

At the end of 2010, actual receipts did not meet budgeted receipt amounts in the General Fund by \$200,046, the Police District Fund by \$122,535 and the Fire District Fund by \$101,799.

We recommend that the Township follow Ohio Revised Code Section 5705.36(A)(4) and seek amended certificates of estimated resources when necessary.

**Official's Response:** We have lowered the budgets in all departments in General Fund, Motor Vehicle Tax Fund, Road Department Fund, the Police, Fire, plus the Ambulance Funds. This should help to give all departments a better carry over for the start of 2014. The Trustees realize they are limited as to any major projects until the loans are paid back to the other departments. The General Fund has reduced employees which should give the General Fund some extra revenue to pay back some of these loans. We feel that lowering the budgets in all departments should free up some needed revenue to pay back some of these loans that were really not expected.

**3. Expenditures Exceeded Appropriations**

<b><i>Finding Number</i></b>	<b><i>2011-003</i></b>
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**NONCOMPLIANCE**

Ohio Revised Code Section 5705.41(B) provides no subdivision or taxing unit is to expend money unless it has been appropriated.

At the end of 2010, the Township had disbursements greater than appropriations in the Permanent Improvement Fund of \$68,929.

We recommend that the Township follow Ohio Revised Code Section 5705.41(B).

**Official's Response:** We have closed the post office and the dispatch center. As employees retire, we are not replacing them. In the upcoming year, there are four employees with high salaries who are considering retirement. We do not plan to cut any services to the citizens of Liberty Township, at this time.

**4. Estimated Resources Exceeded By Appropriations**

<b><i>Finding Number</i></b>	<b><i>2011-004</i></b>
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**NONCOMPLIANCE**

Ohio Revised Code Section 5705.39, provides that total appropriations from each fund shall not exceed the total estimated resources.

At the end of 2011, appropriations exceeded estimated resources in the Ohio Public Works fund by \$145,335. Also, at the end of 2010, appropriations exceeded actual receipts in the General Fund by \$159,066.

We recommend that the Township follow Ohio Revised Code Section 5705.39.

**Official's Response:** We are paying back our debt from the Police and Fire in small amounts which should clear these up in four to five years.

**5. Improper Posting of Receipts**

<b><i>Finding Number</i></b>	<b><i>2011-005</i></b>
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**Material Weakness**

An entity's accounting system encompasses the sequence of steps followed in the accounting process, from analyzing and recording transactions, posting entries, adjusting and closing accounts, and preparing financial statements.

**5. Improper Posting of Receipts – (Continued)**

<b><i>Finding Number</i></b>	<b>2011-005 – (Continued)</b>
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During our testing of the Township's receipts, we noted the following errors:

- In 2010, yearly franchise fees of \$81,088 from Time Warner Cable were improperly posted as miscellaneous revenue instead of as licenses, permits and fees. The Township also improperly posted NOPEC grant monies of \$57,750 as miscellaneous revenue instead of as intergovernmental revenue. In addition, \$70,000 of loan proceeds was improperly posted as miscellaneous revenue.
- In 2011, yearly franchise fees of \$84,527 from Time Warner Cable were improperly posted as miscellaneous revenue instead of as licenses, permits and fees. The Township also improperly posted Ohio Public Works Commission (OPWC) monies of \$149,651 as miscellaneous revenue instead of as intergovernmental revenue.

These mispostings were corrected on the Township's audited financial statements.

**Official's Response:** No proper response provided.

**6. Improper Debt**

<b><i>Finding Number</i></b>	<b>2011-006</b>
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**NONCOMPLIANCE**

Ohio Revised Code Chapter 133 allows various methods for subdivisions to incur debt. Section 133.22 allows a subdivision to issue anticipatory securities; Section 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision; Section 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

During the audit period, the Township had two signed promissory notes with local banks for the purchase of ambulances. Due to the fact this debt is promissory notes between a banking institution and the Township, the notes do not meet the requirements set forth in Ohio Revised Code Chapter 133.

We recommend the Township only incur debt in the manner allowed by the Ohio Revised Code Sections above.

**Official's Response:** The only two outstanding loans are a police car loan, the last payment is due May 2013 for \$12,155.00 and a new ambulance loan with a payment of \$19,426.00 due in August of this year and final payment due August 2014.

## 7. COMMUNICATION FUND SHARED COSTS

<b><i>Finding Number</i></b>	<b><i>2011-007</i></b>
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### **Noncompliance**

#### **Finding for Adjustment**

Liberty Township Board of Trustees' Resolution 2004-064 sets the formula for the share of operating costs of the Telecommunication Center as follows: Police department - 75%; Fire department - 10%; and the General Fund - 15%.

In 2010, the Township made fund balance adjustments from the Police District fund to the 911 Communication fund totaling \$35,700 to pay operating costs of the Telecommunication Center. However, no fund balance adjustments were made out of the Fire District fund or the General Fund to pay their share of operating costs. In 2011, the Township made fund balance adjustments from the Fire District fund to the 911 Communication fund totaling \$20,000 to pay operating costs of the Telecommunication Center. However, no fund balance adjustments were made out of the Police District fund or the General Fund to pay their share of operating costs.

As a result of the fund balance adjustments noted above, the General Fund owes the Police District fund \$5,335 (for 2010) and the Fire District fund \$3,000 (for 2011). The Fire District fund owes the Police District fund \$3,570 (for 2010). The Police District fund owes the Fire District fund \$15,000 (for 2011).

In addition, the Township should not make fund balance adjustments to their accounting system when trying to allocate operating expenses of the Telecommunication Center to the other funds. It is not proper accounting.

Township officials have declined to record these adjustments, and the accompanying financial statements do not reflect these adjustments.

**Official's Response:** No proper response provided.

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**LIBERTY TOWNSHIP  
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2009-001	ORC Sec 5705.10 (H) requires that money paid into any fund shall be used only for the purpose for which such fund is established.	No	Not Corrected for unpaid balances from 2008-09 audit (GF still owes Fire Fund \$20,000; Police Fund still owes Fire Fund \$205,000) Also Reissued as Finding 2011-001 for improper debt payments
2009-002	ORC Sec.5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received.	No	Not Corrected for unpaid balances from 2008-09 audit (GF still owes Fire Fund \$100,000; Police Fund \$40,000 and Ambulance and EMS fund \$30,160)
2009-003	ORC Sec. 133.10 (A) states that tax anticipation notes must mature no later than the last day of the sixth month after the issue date, and in no case, may they mature after the end of the fiscal year.	No	See Management letter comment #2
2009-004	ORC Sec.133.10 (A). Township failed to repay the notes by the dates of maturity as provided in the note covenants.	No	Not Corrected Reissued as a Management Letter Comment

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# Dave Yost • Auditor of State

**LIBERTY TOWNSHIP**

**TRUMBULL COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 11, 2013**