



Dave Yost • Auditor of State

**LIBERTY TOWNSHIP
JACKSON COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Liberty Township
Jackson County
12538 Beaver Pike
Jackson, Ohio 45640

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Liberty Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Liberty Township, Jackson County, Ohio, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 7, 2018

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, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$93,446	\$73,158	\$0	\$166,604
Intergovernmental	32,919	111,605	140,629	285,153
Earnings on Investments	65	10	0	75
Miscellaneous	3,841	0	0	3,841
<i>Total Cash Receipts</i>	<u>130,271</u>	<u>184,773</u>	<u>140,629</u>	<u>455,673</u>
Cash Disbursements				
Current:				
General Government	104,664	0	0	104,664
Public Safety	0	84,586	0	84,586
Public Works	19,436	107,071	44,717	171,224
Health	11,100	0	0	11,100
Debt Service:				
Principal Retirement	0	0	118,579	118,579
Interest and Fiscal Charges	0	0	4,711	4,711
<i>Total Cash Disbursements</i>	<u>135,200</u>	<u>191,657</u>	<u>168,007</u>	<u>494,864</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,929)</u>	<u>(6,884)</u>	<u>(27,378)</u>	<u>(39,191)</u>
<i>Fund Cash Balances, January 1</i>	<u>40,075</u>	<u>26,487</u>	<u>97,128</u>	<u>163,690</u>
Fund Cash Balances, December 31				
Restricted	0	19,603	69,750	89,353
Assigned	26,428	0	0	26,428
Unassigned (Deficit)	8,718	0	0	8,718
<i>Fund Cash Balances, December 31</i>	<u>\$35,146</u>	<u>\$19,603</u>	<u>\$69,750</u>	<u>\$124,499</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, 2017

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. Notes 6 to the financial statements provides additional information for this entity.

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

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:

Gasoline Tax Fund The Gasoline 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 tax 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, 2017

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, 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2017 budgetary activity appears in Note 3.

Deposits

The Township has no deposit policy for custodial risk beyond the requirement of State statute. Ohio Law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee or by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value, at all times, shall be at least one hundred five percent of the deposits being secured.

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.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

Fund balance is divided into three 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:

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.

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.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$124,371	\$130,271	\$5,900
Special Revenue	180,028	184,773	4,745
Capital Projects	101,743	140,629	38,886
Total	<u>\$406,142</u>	<u>\$455,673</u>	<u>\$49,531</u>

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$164,446	\$135,200	\$29,246
Special Revenue	206,515	191,657	14,858
Capital Projects	198,871	168,007	30,864
Total	<u>\$569,832</u>	<u>\$494,864</u>	<u>\$74,968</u>

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits

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

	<u>2017</u>
Demand deposits	<u>\$124,499</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 6 – Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – 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, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$2,000.

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>2017 Contributions to OTARMA</u>
\$5,466

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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 healthcare and survivor and disability benefits.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plans (Continued)

Ohio Public Employees Retirement System (Continued)

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, 2017.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, 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 1.0 percent during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
General Obligation Note	\$53,913	2.9%

The Township issued a promissory note on August 9, 2012 in the amount of \$200,000 to pay off an existing loan and to finance a chip and seal project for 7 years.

Amortization

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

Year Ending December 31:	General Obligation Notes
2018	31,672
2019	23,697
Total	\$55,369

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, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$90,057	\$70,496	\$0	\$160,553
Intergovernmental	33,157	105,236	192,897	331,290
Special Assessments	0	0	34	34
Earnings on Investments	62	9	0	71
Miscellaneous	1,096	552	0	1,648
<i>Total Cash Receipts</i>	<u>124,372</u>	<u>176,293</u>	<u>192,931</u>	<u>493,596</u>
Cash Disbursements				
Current:				
General Government	107,560	0	0	107,560
Public Safety	0	74,053	1,186	75,239
Public Works	18,866	95,949	179,767	294,582
Health	11,100	0	0	11,100
Capital Outlay	133	0	0	133
Debt Service:				
Principal Retirement	0	0	28,717	28,717
Interest and Fiscal Charges	0	0	3,002	3,002
<i>Total Cash Disbursements</i>	<u>137,659</u>	<u>170,002</u>	<u>212,672</u>	<u>520,333</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(13,287)</u>	<u>6,291</u>	<u>(19,741)</u>	<u>(26,737)</u>
Other Financing Receipts (Disbursements)				
Sale of Notes	0	0	88,500	88,500
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>88,500</u>	<u>88,500</u>
<i>Net Change in Fund Cash Balances</i>	<u>(13,287)</u>	<u>6,291</u>	<u>68,759</u>	<u>61,763</u>
<i>Fund Cash Balances, January 1</i>	<u>53,362</u>	<u>20,196</u>	<u>28,369</u>	<u>101,927</u>
Fund Cash Balances, December 31				
Restricted	0	26,487	97,128	123,615
Assigned	40,075	0	0	40,075
<i>Fund Cash Balances, December 31</i>	<u>\$40,075</u>	<u>\$26,487</u>	<u>\$97,128</u>	<u>\$163,690</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, 2016

Note 1 – Reporting Entity

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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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, 2016

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, 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Township has no deposit policy for custodial risk beyond the requirement of State statute. Ohio Law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee or by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value, at all times, shall be at least one hundred five percent of the deposits being secured.

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.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

Fund balance is divided into two 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:

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.

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.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$130,460	\$124,372	(\$6,088)
Special Revenue	188,387	176,293	(12,094)
Capital Projects	288,418	281,431	(6,987)
Total	<u>\$607,265</u>	<u>\$582,096</u>	<u>(\$25,169)</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$184,301	\$137,659	\$46,642
Special Revenue	208,102	170,002	38,100
Capital Projects	316,787	212,672	104,115
Total	<u>\$709,190</u>	<u>\$520,333</u>	<u>\$188,857</u>

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits

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

	<u>2016</u>
Demand deposits	<u>\$163,690</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 6 – Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risksharingpool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – 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, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township’s share of these unpaid claims collectible in future years is approximately \$ 2,000.

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>2016 Contributions to OTARMA</u>
\$5,458

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 – Defined Benefit Pension Plans (Continued)

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants’ gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, 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 2.0 percent during calendar year 2016.

Note 8 – Debt

Debt outstanding at December 31, 2016, was as follows:

	Principal	Interest Rate
General Obligation Note 2012	\$83,493	2.9%
General Obligation Note 2016	89,000	2.85%
Total	\$172,493	

The Township issued a promissory note on August 9, 2012 in the amount of \$200,000 to pay off an existing loan and to finance a chip and seal project for 7 years. The Township also issued a promissory note on June 9 2016 in the amount of \$89,000 to begin road repairs. The loan will be repaid with funds from the Ohio EMA within one year.

Amortization

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

	General Obligation Note 2012	General Obligation Note 2016
Year Ending December 31:		
2017	\$31,672	91,571
2018	31,672	
2019	23,697	
Total	\$87,041	\$91,571



Dave Yost • Auditor of State

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

Liberty Township
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 and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Liberty Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated September 7, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2017-003 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our 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 2017-001 and 2017-002.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Entity's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 7, 2018

**LIBERTY TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Noncompliance Citation

Ohio Rev. Code § 133.15 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. Ohio Rev. Code § 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.

The Ohio Revised Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships. Townships can only obtain debt by issuing general obligation debt or lease-purchase options. Townships do not have authority to take out a bank loan because "bank loans" are not a statutorily permitted form of debt for townships. However, Townships have the authority to issue securities under Ohio Rev. Code Chapter 133. Townships must pledge the full faith and credit of the township as outlined under Ohio Rev. Code § 5549.021, the exception being securing equipment by lease-purchase option under Ohio Rev. Code § 505.267.

On June 9, 2016, the Board of Trustees signed a promissory note with Wesbanco Bank, Inc. in the amount of \$89,000, to finance a paving project. This note is unsecured and did not meet the requirements set forth in Ohio Rev. Code § 133.15. Previously, on August 9, 2012, the Board of Trustees signed a promissory note with Wesbanco Bank, Inc. in the amount of \$200,000, to finance a chip and seal project and to pay off a previously outstanding bank loan. This note was also unsecured and does not meet the requirements set forth in Ohio Rev. Code § 133.15.

The Board of Trustees should consult with the Township's legal counsel prior to the Township incurring future debt.

Official's Response: Once the loan is paid off, we will consult counsel before any money borrowed.

FINDING NUMBER 2017-002

Noncompliance Citation

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer'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 § 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

LIBERTY TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)

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

FINDING NUMBER 2017-002 (Continued)

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

1. “Then and Now” certificate - If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 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.

2. Blanket Certificates - Fiscal officers may prepare so-called “blanket” certificates not running beyond 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. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate - The Township 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, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Ninety-five percent of disbursements tested during 2016 and 2017 were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, “then and now” certification should be used.

The Board of Trustees should obtain the Fiscal Officer’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official’s Response: The fiscal officer will seek additional training in understanding which purchase orders need to be used and how to issue them properly.

**LIBERTY TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-003

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.

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

In 2016:

- General Fund intergovernmental receipts of \$24,902 were incorrectly posted as taxes receipts of \$16,434 and miscellaneous receipts of \$8,468;
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Township incorrectly reported the assigned portion of the General Fund's cash fund balance as unassigned, in the amount of \$40,075;
- Fire Fund intergovernmental receipts of \$7,703 were incorrectly posted as taxes receipts;
- MVL and Gas Tax Fund public works disbursements of \$393 and \$82,805, respectively, were incorrectly reported as public safety disbursements;
- Sales Tax Fund intergovernmental receipts of \$7,814 and debt proceeds of \$88,500 were incorrectly posted as other financing sources.

In 2017:

- General Fund intergovernmental receipts of \$14,752 were incorrectly posted as taxes receipts;
- General Fund intergovernmental receipts of \$8,718 were incorrectly posted as intergovernmental receipts in the Sales Tax Fund;
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Township incorrectly reported the assigned portion of the General Fund's cash fund balance as unassigned, in the amount of \$26,428;
- Fire Fund intergovernmental receipts of \$7,660 were incorrectly posted as taxes receipts;
- MVL and Gas Tax Fund public works disbursements of \$112 and \$84,072, respectively, were incorrectly reported as public safety disbursements;
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.170 requires reporting amounts to be used when constraints placed on the use of resources are externally imposed by laws or regulations of other governments (i.e., State Statutes) as restricted. The Township reported the MVL, Gasoline Tax, and Sales Tax Fund ending fund balances as assigned instead of restricted, in the amounts of \$8,230, \$7,697, and \$75,693, respectively;

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

LIBERTY TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2017-003 (Continued)

Material Weakness (Continued)

The Fiscal Officer should review the Township handbook and Auditor of State Bulletin 2011-004 for guidance to ensure the financial statements are completed and accurate.

Officials' Response: Fiscal Officer will turn to the Township Handbook and find where the funds should be posted in the correct accounts. If any funds received are questionable as to where they should be posted, she will contact the State Auditor's Office or the County Auditor for advice.

**LIBERTY TOWNSHIP
JACKSON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code § 505.262(A) – Township issuing a promissory note.	Not Corrected	Will be corrected when note is paid in full.
2015-002	Ohio Rev. Code § 5705.41(D)(1) – Fiscal Officer not certifying available funds prior to commitment being incurred.	Not Corrected	Spending is based on the appropriations presented at the beginning of the year and funds available for spending is certified at each meeting. It is impossible for clerk and workers to get together each time a purchase is made and for the clerk to certify a purchase order due to her availability. Larger purchases are presented to the clerk verbally to make sure that funds are available. This has been the practice for this township since its existence. Trustees understand and know what is available for spending every month by reviewing the summaries and signing the signature page.
2015-003	Sound financial reporting relating to several incorrect postings.	Partially Corrected	Audited financial statements and the Township's UAN accounting system was adjusted for issues noted in the prior audit. Additional items were noted in the current audit.

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LIBERTY TOWNSHIP

JACKSON 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
SEPTEMBER, 20 2018**