



**LIBERTY TOWNSHIP
TRUMBULL COUNTY
Regular Audit
For the Years Ended December 31, 2017 and 2016**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

www.perrycpas.com



Dave Yost • Auditor of State

Board of Trustees
Liberty Township
1315 Churchill-Hubbard Road
Youngstown, OH 44505

We have reviewed the *Independent Auditor's Report* of Liberty Township, Trumbull County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

NONCOMPLIANCE – FINDING FOR RECOVERY REPAID UNDER AUDIT

Ohio Rev. Code § 505.24 provides township trustee salaries are based on the annual budget of the Township. The increase for 2016, per House Bill 64 (131st General Assembly) is 5 percent. Only those township officials elected or appointed after September 29, 2015 are entitled to the increase in 2016, since current officials are not eligible for midterm increases pursuant Article II, Section 20 of the Ohio Constitution.

The Township's Certificate of Estimated Resources, as approved by the County Budget Commission, was \$7,933,126 in fiscal year 2017. Ohio Rev. Code § 505.24 indicates in a Township having a budget of more than six million dollars (\$6,000,000.01) but not more than ten million dollars (\$10,000,000), the daily compensation of the trustees shall be \$79.99 not to exceed 200 days ($\$79.99 * 200 = \$15,998$) for those Trustees whose terms began prior to September 29, 2015.

Township Trustees Jason Rubin and Stan Nudell began new terms of offices on January 1, 2014, and therefore were entitled to the annual computed salary of \$15,998. Payroll records indicated Township Trustees Jason Rubin and Stan Nudell were paid annual compensation in the amount of \$16,798, instead of \$15,998 for 2017, exceeding their authorized annual salary by \$800 each.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Trustees Jason Rubin and Stan Nudell, and their bonding companies, in the amount of \$800 each in favor of the general fund.

Board of Trustees
Liberty Township
1315 Churchill-Hubbard Road
Youngstown, OH 44505
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Stanley Nudell repaid the Township \$800.00 on September 9, 2018 by check number 10486 and was receipted by the township on September 10, 2018. Jason Rubin repaid the Township 800.00 on September 8, 2018 by check number 1437 and was receipted by the township on September 10, 2018

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Liberty Township is responsible for compliance with these laws and regulations.

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

November 30, 2018

LIBERTY TOWNSHIP
TRUMBULL COUNTY

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INDEPENDENT AUDITOR'S REPORT

September 28, 2018

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

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**, Trumbull County, (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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**LIBERTY TOWNSHIP
TRUMBULL COUNTY**

**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	\$ 298,731	\$ 4,248,833	\$ -	\$ 4,547,564
Charges for Services	-	339,286	-	339,286
Licenses, Permits and Fees	225,593	12,441	-	238,034
Fines and Forfeitures	69,638	40,157	-	109,795
Intergovernmental	187,575	852,565	96,503	1,136,643
Special Assessments	-	129,983	-	129,983
Earnings on Investments	3,459	891	-	4,350
Miscellaneous	24,065	90,414	-	114,479
<i>Total Cash Receipts</i>	<u>809,061</u>	<u>5,714,570</u>	<u>96,503</u>	<u>6,620,134</u>
Cash Disbursements				
Current:				
General Government	578,438	-	-	578,438
Public Safety	1,230	4,519,828	-	4,521,058
Public Works	12,719	826,202	96,503	935,424
Health	2,279	16,380	-	18,659
Conservation-Recreation	20,477	-	-	20,477
Capital Outlay	-	294,455	502	294,957
Debt Service:				
Principal Retirement	-	619,240	-	619,240
Interest and Fiscal Charges	-	15,596	-	15,596
<i>Total Cash Disbursements</i>	<u>615,143</u>	<u>6,291,701</u>	<u>97,005</u>	<u>7,003,849</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>193,918</u>	<u>(577,131)</u>	<u>(502)</u>	<u>(383,715)</u>
Other Financing Receipts (Disbursements)				
Transfers In	-	36,203	-	36,203
Transfers Out	(36,203)	-	-	(36,203)
Sale of Notes	-	400,000	-	400,000
Other Debt Proceeds	-	271,931	-	271,931
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(36,203)</u>	<u>708,134</u>	<u>-</u>	<u>671,931</u>
<i>Net Change in Fund Cash Balances</i>	157,715	131,003	(502)	288,216
<i>Fund Cash Balances, January 1</i>	<u>(173,370)</u>	<u>740,387</u>	<u>1,829</u>	<u>568,846</u>
Fund Cash Balances, December 31				
Restricted	-	959,285	1,327	960,612
Unassigned (deficit)	(15,655)	(87,895)	-	(103,550)
<i>Fund Cash Balances, December 31</i>	<u>\$ (15,655)</u>	<u>\$ 871,390</u>	<u>\$ 1,327</u>	<u>\$ 857,062</u>

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

Liberty Township
Trumbull 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, Trumbull County, (the Township) as a body corporate and politic. The Township is a Home Rule Township established under the laws of the State of Ohio. 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 was placed in Fiscal Caution on October 3, 2013, by the Auditor of State's Office, pursuant to Ohio Revised Code Section 118.025(A). As of December 31, 2017, the Township's General Fund and Police District Fund balance is a negative (\$15,655) and (\$87,895). The Township's plan to eliminate the negative fund balance in the General Fund and Police District Fund is to try to decrease disbursements.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Notes 7 to the financial statements provides additional information for this entity.

Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage for its members.

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, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

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:

Police District Fund This fund receives property tax money 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.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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:

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

Basis of Accounting

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

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

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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2017 budgetary activity appears in Note 4.

Deposits

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

Capital Assets

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Fund Balance

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

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

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. 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 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gasoline Tax, Road and Bridge, Cemetery, Police District and Fire District, Drug Law Enforcement, Enforcement and Education, Ambulance and Emergency, Lighting Assessment, and Public Works Commission fund by \$22,282, \$297,446, \$11,595, \$791,310, \$660,473, \$34,498, \$1,889, \$273,480, \$72,745 and \$97,005 for the year ended December 31, 2017. Also contrary to Ohio law, at December 31, 2017, the General fund and Police District fund had a cash deficit balance of \$15,655 and \$87,895. Appropriations exceeded estimated resources for the year ended December 31, 2017, in the General and Permanent Improvement Fund by \$141,721, and \$1,459 which is also contrary to Ohio law.

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

Note 4 – 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	\$ 736,560	\$ 809,061	\$ 72,501
Special Revenue	6,379,703	6,422,704	43,001
Capital Projects	200,000	96,503	(103,497)
Total	\$ 7,316,263	\$ 7,328,268	\$ 12,005

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 727,059	\$ 653,525	\$ 73,534
Special Revenue	4,176,087	6,316,018	(2,139,931)
Capital Projects	1,500	97,005	(95,505)
Total	\$ 4,904,646	\$ 7,066,548	\$ (2,161,902)

Note 5 – 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:

	2017
Demand deposits	\$ 857,062
Total deposits	\$ 857,062

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS).

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

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

Note 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. 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.

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 \$33,000.

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.

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

Note 7 – Risk Management (Continued)

<u>2017 Contributions to OTARMA</u>
--

\$74,189

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 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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.

Ohio Police and Fire Retirement System

Some Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages and 24 percent of full-time fire fighters' wages, respectively. The Township has paid all contributions required through December 31, 2017.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer 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. OP&F contributes 0.5 percent to fund these benefits.

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

Note 10 – Debt

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

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note - 2014 Roads	\$ 70,328	2.70%
General Obligation Note - 2015 Roads	76,128	2.70%
OPWC CF12N-Arbor Circle/Goldie Road	14,250	0.00%
2016 Ford Interceptor	12,685	8.26%
2016-2017 Ford Interceptor	21,110	8.26%
2017 Ford Interceptor	25,084	8.26%
Ambulance Lease	85,504	3.99%
Bobcat Equipment	77,940	3.30%
Total	<u>\$ 383,029</u>	

The Township issued general obligation notes to finance the pavement of roads. The Township's taxing authority collateralized the notes. The notes are paid semiannually from the Road and Bridge Fund.

The OPWC loan had no activity during the audit period. This loan is not fully disbursed therefore there is no amortization schedule.

In 2016, the Township entered into a Master-Lease Purchase agreement with Statewide Emergency Products for a 2016 Ford Police Interceptor for \$38,139. The lease is for three years and is paid from the Police District Fund annually.

In 2017, the Township entered into a Master-Lease Purchase agreement with Statewide Municipal Leasing for a 2016-2017 Ford Utility Interceptor for \$33,029. The lease is for three years and is paid from the Fire District Fund annually.

In 2017, the Township entered into a Master-Lease Purchase agreement with Statewide Municipal Leasing for a 2017 Ford Utility Interceptor for \$39,246. The lease is for three years and is paid from the Police District and Drug Law Enforcement Fund annually.

In 2017, the Township entered into a Master-Lease Purchase agreement with TCF Equipment Finance for a 2017 Medix RP90 Ambulance for \$95,978. The lease is for ten years and is paid from the Ambulance and Emergency Medical Services Fund semiannually.

The General Obligation Tax Anticipation Notes (TAN), series 2017 were issued and repaid with property tax revenue during 2017 in the amount of \$400,000.

In 2017, the Township entered into a Master-Lease Purchase agreement with FNB Commercial Leasing for a 2017 Bobcat T650 T4 Compact Track Loader and a 2017 Bobcat E45 T4 Compact Excavator for \$103,678. The lease is for four years and is paid from the Road and Bridge Fund semiannually.

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

Amortization

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

Year Ending December 31:	General Obligation Note 2014 Roads	General Obligatoin Note 2015 Roads	2016 Ford Interceptor	2016-2017 Ford Interceptor	2017 Ford Interceptor	Ambulance	Bobcat Equipment
2018	\$ 43,224	\$ 53,943	\$ 13,763	\$ 11,919	\$ 14,162	\$ 20,946	\$ 27,439
2019	43,224	53,943	-	11,919	14,162	20,946	27,439
2020	-	26,972	-	-	-	20,946	27,439
2021	-	-	-	-	-	20,946	-
2022	-	-	-	-	-	10,474	-
Total	<u>\$ 86,448</u>	<u>\$ 134,858</u>	<u>\$ 13,763</u>	<u>\$ 23,838</u>	<u>\$ 28,324</u>	<u>\$ 94,258</u>	<u>\$ 82,317</u>

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**LIBERTY TOWNSHIP
TRUMBULL COUNTY**

**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	\$ 288,966	\$ 4,124,148	\$ -	\$ 4,413,114
Charges for Services	-	298,572	-	298,572
Licenses, Permits and Fees	111,729	61,779	-	173,508
Fines and Forfeitures	46,776	3,508	-	50,284
Intergovernmental	171,843	856,479	63,118	1,091,440
Special Assessments	-	125,694	-	125,694
Earnings on Investments	3,421	762	-	4,183
Miscellaneous	42,647	68,661	-	111,308
<i>Total Cash Receipts</i>	<u>665,382</u>	<u>5,539,603</u>	<u>63,118</u>	<u>6,268,103</u>
Cash Disbursements				
Current:				
General Government	654,721	1,957	-	656,678
Public Safety	-	4,653,733	-	4,653,733
Public Works	9,434	929,109	63,118	1,001,661
Health	3,425	9,408	-	12,833
Conservation-Recreation	28,130	-	-	28,130
Capital Outlay	-	38,139	3,800	41,939
Debt Service:				
Principal Retirement	-	488,623	-	488,623
Interest and Fiscal Charges	25	17,323	-	17,348
<i>Total Cash Disbursements</i>	<u>695,735</u>	<u>6,138,292</u>	<u>66,918</u>	<u>6,900,945</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(30,353)</u>	<u>(598,689)</u>	<u>(3,800)</u>	<u>(632,842)</u>
Other Financing Receipts				
Sale of Notes	-	300,000	-	300,000
Other Debt Proceeds	-	38,139	-	38,139
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>338,139</u>	<u>-</u>	<u>338,139</u>
<i>Net Change in Fund Cash Balances</i>	<u>(30,353)</u>	<u>(260,550)</u>	<u>(3,800)</u>	<u>(294,703)</u>
<i>Fund Cash Balances, January 1 (Restated, see note 12)</i>	<u>(143,017)</u>	<u>1,000,937</u>	<u>5,629</u>	<u>863,549</u>
Fund Cash Balances, December 31				
Restricted	-	776,444	1,829	778,273
Unassigned (deficit)	(173,370)	(36,057)	-	(209,427)
<i>Fund Cash Balances, December 31</i>	<u>\$ (173,370)</u>	<u>\$ 740,387</u>	<u>\$ 1,829</u>	<u>\$ 568,846</u>

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

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

Note 1 – Reporting 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. The Township is a Home Rule Township established under the laws of the State of Ohio. 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 was placed in Fiscal Caution on October 3, 2013, by the Auditor of State's Office, pursuant to Ohio Revised Code Section 118.025(A). As of December 31, 2016, the Township's General Fund and Police District Fund balance is a negative (\$173,370) and (\$36,057). The Township's plan to eliminate the negative fund balance in the General Fund and Police District Fund is to try to decrease disbursements.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Notes 7 to the financial statements provides additional information for this entity.

Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage for its members.

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, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

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:

Police District Fund This fund receives property tax money 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.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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:

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

Basis of Accounting

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

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

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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2016 budgetary activity appears in Note 4.

Deposits

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

Capital Assets

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Fund Balance

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

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

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. 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 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Police District and Fire District fund by \$203,661 and \$146,213 for the year ended December 31, 2016. Also contrary to Ohio law, at December 31, 2016, the General fund and Police District fund had a cash deficit balance of \$173,370 and \$36,057. Appropriations exceeded estimated resources for the year ended December 31, 2016, in the General, Lighting Assessment, Permanent Improvement, and Public Works Commission Fund by \$45,635, 21,353, \$159, and \$63,013 which is also contrary to Ohio law.

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

Note 4 – 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	\$ 781,480	\$ 665,382	\$ (116,098)
Special Revenue	5,853,861	5,877,742	23,881
Capital Projects	-	63,118	63,118
Total	\$ 6,635,341	\$ 6,606,242	\$ (29,099)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 699,785	\$ 697,794	\$ 1,991
Special Revenue	6,234,057	6,163,379	70,678
Capital Projects	68,800	66,918	1,882
Total	\$ 7,002,642	\$ 6,928,091	\$ 74,551

Note 5 – 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:

	2016
Demand deposits	\$ 568,846
Total deposits	\$ 568,846

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

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

Note 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. 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.

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 \$32,000.

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.

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

Note 7 – Risk Management (Continued)

2016 Contributions to OTARMA
\$71,596

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 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Ohio Police and Fire Retirement System

Some Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages and 24 percent of full-time fire fighters' wages, respectively. The Township has paid all contributions required through December 31, 2016.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer 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. OP&F contributes 0.5 percent to fund these benefits.

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

Note 10 – Debt

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

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note - 2014 Roads	\$ 113,552	2.70%
General Obligation Note - 2015 Roads	139,240	2.70%
OPWC CF12N-Arbor Circle/Goldie Road	14,250	0.00%
2014 Ford Interceptor	10,126	5.45%
2016 Ford Interceptor	24,376	8.26%
Typhoon Pumper	28,794	4.96%
Total	<u>\$ 330,338</u>	

The Township issued general obligation notes to finance the pavement of roads. The Township's taxing authority collateralized the notes. The notes are paid semiannually from the Road and Bridge Fund.

The balance for the OPWC loan was incorrect in the prior audit. At December 31, 2015 the outstanding balance was \$14,250. There was no activity during the audit period for this loan. This loan is not fully disbursed therefore there is no amortization schedule.

In 2013, the Township entered into a Master-Lease Purchase agreement with Ford Motor Credit Company for a 2014 Ford Police Interceptor for \$49,800. The lease is for four years and is paid from the Police District Fund quarterly. The balance of this debt was not included in the prior audit. The outstanding balance at December 31, 2015 was \$23,003.

In 2016, the Township entered into a Master-Lease Purchase agreement with Statewide Emergency Products for a 2016 Ford Police Interceptor for \$38,139. The lease is for three years and is paid from the Police District Fund annually.

The General Obligation Tax Anticipation Notes (TAN), series 2016 were issued and repaid with property tax revenue during 2016 in the amount of \$300,000.

In 2007, the Township entered into a Master-Lease Purchase agreement with E-One, Inc. for an E-One Typhoon Pumper for \$233,820. The lease is for ten years and is paid from the Fire District Fund annually. The balance of this debt was not included in the prior audit. The outstanding balance at December 31, 2015 was \$56,227.

Amortization

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

Year Ending December 31:	General Obligation Note 2014 Roads	General Obligation Note 2015 Roads	2014 Ford Interceptor	2016 Ford Interceptor	Typhoon Pumper
2017	\$ 43,224	\$ 53,943	\$ 10,423	\$ 27,526	\$ 30,222
2018	43,224	53,943	-	13,763	-
2019	43,224	53,943	-	-	-
2020	-	26,972	-	-	-
Total	<u>\$ 129,672</u>	<u>\$ 188,801</u>	<u>\$ 10,423</u>	<u>\$ 41,289</u>	<u>\$ 30,222</u>

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

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Prior Period Restatement

The following adjustment is reflected in the January 1, 2016 fund balances:

	General Fund	Special Revenue Funds
December 31, 2015 audited balances	\$ (139,639)	\$ 1,027,695
Adjustment to account for canceled checks and duplicate receipts	1,951	(3,158)
Adjustment to correct 2015 fund balance adjustments not posted to UAN until 2017	(751)	(12,557)
Adjustment to bring on unrecorded errors in reconciling the HSA account	(4,578)	(11,043)
January 1, 2016 balances	\$ (143,017)	\$ 1,000,937

The Township canceled checks that were outstanding and reissued new checks.



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Marietta, OH 45750
740.373.0056

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Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

September 28, 2018

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

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**, Trumbull County, (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 28, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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 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. We consider findings 2017-001 through 2017-003 described in the accompanying schedule of audit findings to be material weaknesses.

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Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-004 described in the accompanying schedule of audit findings to be a significant deficiency.

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 audit findings as items 2017-001 and 2017-005 through 2017-009.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of audit findings. We did not subject the Township'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 communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

LIBERTY TOWNSHIP
TRUMBULL COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Material Weakness/Noncompliance

Ohio Revised Code Sections 505.24 and 507.09 set compensation amounts for Trustees and the Fiscal Officer based on a Township's annual budget amount and the term of the elected official.

During our testing, it was noted that two Trustees were overpaid \$800 each during 2017. This was due to the Fiscal Officer calculating their pay on the wrong rate in 2017.

We recommend the Township utilize the compensation charts as determined by the Ohio Revised Code Sections 505.24 and 507.09 to determine the annual compensation for Township Officials. The overpayment by the Trustees was repaid during the audit.

Management's Response – Two trustees were over paid by \$800.00 each because of an oversight related to compensation authorized by the State of Ohio. Legislation was approved by State of Ohio to increase compensation for newly elected Trustees and Fiscal Officer for 2016 and 2017. There was confusion because the two trustees that were not newly elected should not have received the increase. The township paid all trustees at the higher rate in error. This overpayment was brought to the attention of the two trustees that were overpaid and both trustees promptly repaid to the township the \$800.00.

FINDING NUMBER 2017-002

Material Weakness

Posting Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2017 and 2016, several receipts and disbursements were not posted into accurate classifications based on the source of the receipt or disbursement. The following posting errors were noted:

- In 2017 and 2016, principal and interest payments were classified as capital outlay, public works, and public safety instead of principal and interest.
- In 2017, a real estate advance was posted to the fire fund instead of the police fund.
- In 2017 and 2016, debt proceeds were not recorded for the 2016-2017 Ford Interceptor, 2017 Ford Interceptor, Ambulance, Bobcat equipment, and the 2016 Ford Interceptor.
- In 2017 and 2016, paving projects was recorded as capital outlay instead of public works.
- In 2016, an OPWC receipt was recorded as miscellaneous instead of Intergovernmental.

Not posting revenues and disbursements accurately resulted in the financial statements requiring several reclassifications and adjustments. The accompanying financial statements reflect all reclassifications and adjustments. The Township has posted all adjustments to its accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

LIBERTY TOWNSHIP
TRUMBULL COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-002 (Continued)

Material Weakness (Continued)

Posting Receipts and Disbursements (Continued)

We also recommend the Fiscal Officer refer to the Ohio Village Handbook and Ohio Administration Code for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – Reclassifications of disbursements have been noted by Fiscal Officer for future reference and a detail review of financials will be completed prior to end of year.

FINDING NUMBER 2017-003

Material Weakness

Integrated Accounting System

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing information on budgetary receipts and disbursements.

The Township enters budgetary data for estimated receipts and disbursements. However, the amounts entered do not agree with the approved appropriations and certificate of estimated resources. This can lead to decisions being made on faulty budgetary data and can lead to overspending and creating a negative fund balance if not monitored.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2017-004

Significant Deficiency

Bank Reconciliations

Ohio Administrative Code § 117-2-02 (B) specifies that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that certain assertions are achieved for all transaction types and account balances applicable to the local public office's operations. Such assertions to consider are: (1) existence/occurrence - that recorded assets exist as of fiscal year end, recorded transactions have occurred and are not fictitious; (2) completeness - that all account balances and transactions that should be included in the financial records are included.

Ohio Administrative Code § 117-2-02 (D) states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides and should consider the degree of automation and other factors. Such records should include: (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.

LIBERTY TOWNSHIP
TRUMBULL COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-004 (Continued)

Significant Deficiency (Continued)

Bank Reconciliations (Continued)

In 2017, the Township had the following issues regarding reconciling balances at year end:

- Health Care Savings account disbursements totaling \$20,773 were not recorded in the accounting system.
- Miscellaneous receipts and disbursements totaling \$1,611, were not recorded in the accounting system or recorded in error.
- A disbursement, in the amount of \$5,430, was not included in the outstanding check report.

In 2016, the Township had the following issues regarding reconciling balances at year end:

- Health Care Savings account disbursements totaling \$34,707 were not recorded in the accounting system.
- Miscellaneous receipts and disbursements totaling \$966, were not recorded in the accounting system or recorded in error.

The Township lacked procedures over the reconciliation process.

The Township should take steps to help ensure all accounts are reconciled on a monthly basis and any unreconciled variances investigated and corrected in a timely manner. The Township should additionally take steps to alleviate or adjust outstanding reconciling items after being fully investigated and approved by the Board of Trustees. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and evidenced as approved by an individual with appropriate fiscal authority. The monthly bank reconciliation should be included in the monthly financial reports submitted to the Board for their review and approval.

The Township should implement policies and procedures which would include reviewing the outstanding check list and remove any outstanding checks longer than six months. These outstanding checks should be placed in an unclaimed money fund.

Management's Response – Township maintains various Health Care Reimbursements Accounts that are administered by a third party administrator. The third party administrator disburses payments either directly to Health Care Providers or employees. This has been a reconciling item on the monthly bank reconciliations for some time. There were disbursements by the third party administrator that went unrecorded but maintained as outstanding on the reconciliation. These items were identified in 2016 and 2017 and will be recorded timely in the future.

FINDING NUMBER 2017-005

Noncompliance

26 U.S.C. Section 3402 requires every employer, including the state and its political subdivisions making payments of any compensation to an employee who is a taxpayer, to deduct and withhold from such compensation for each payroll period a tax substantially equivalent to the tax reasonably estimated to be due under this chapter with respect to the amount of such compensation included in his adjusted gross income during the calendar year.

LIBERTY TOWNSHIP
TRUMBULL COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-005 (Continued)

Noncompliance (Continued)

In addition, **Ohio Rev. Code Section 5747.06** requires every employer maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a reasonable estimate of the amount of state income tax which will be due.

The Fiscal Officer did not submit the IT 501 reports as required by the State of Ohio timely for one month of 2017 and three months of 2016.

The Township was required to pay interest to the State of Ohio due to delayed remittance of withholding taxes.

We recommend the Fiscal Officer remit the required amounts and file the required reports when completing the last payroll of each quarter to avoid accrual of interest.

Management's Response – The township was switched by the Ohio Department of Taxation from a Quarterly filer to a monthly filer in 2016. Two IT-501 forms were filed late resulting in an interest payment of \$3.32 in June 2016 and \$5.52 in November 2016. The August 2017 IT-501 form was filed timely but a clerical error was made when the bank account was reported for deduction. This resulted in interest of \$17.21.

FINDING NUMBER 2017-006

Noncompliance

Ohio Rev. Code § 5705.10(I) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The General Fund had a negative fund balance for the months ending January 2016 through December 2017 and these amounts ranged from (\$173,370) to (\$15,655). The General Fund negative fund balance at year end 2017 was (\$15,656). The Police District Fund had a negative fund balance for the months ending January 2016 through December 2017 and these amounts ranged from (\$36,057) to (\$87,895). The Police District Fund negative fund balance at year end 2017 was (\$87,895).

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of other funds. Fund activity should be monitored to help prevent future disbursements in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Rev. Code.

Management's Response – We did not receive a response from officials to this finding.

LIBERTY TOWNSHIP
TRUMBULL COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-007

Noncompliance

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

At the end of 2017, the Township's disbursements exceeded appropriations for the following:

- Gasoline Tax Fund in the amount of \$22,282,
- Road and Bridge Fund in the amount of \$297,446,
- Cemetery Fund in the amount of \$11,595,
- Police District Fund in the amount of \$791,310,
- Fire District Fund in the amount of \$660,473,
- Drug Law Enforcement Fund in the amount of \$34,498,
- Enforcement and Education Fund in the amount of \$1,889,
- Ambulance and Emergency Fund in the amount of \$273,480,
- Lighting Assessment Fund in the amount of \$72,745,
- Public Works Issue II Fund in the amount of \$97,005.

At the end of 2016, the Townships disbursements exceeded appropriations for the following:

- Police District Fund in the amount of \$203,661,
- Fire District Fund in the amount of \$146,213.

The Township should amend the budget if available to help ensure disbursements do not exceed appropriations.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2017-008

Noncompliance

Ohio Rev. Code §5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

In 2017, the Township's final appropriations exceeded the final Amended Official Certificate of Estimated Resources for the following:

- General Fund in the amount of \$141,721,
- Permanent Improvement Fund in the amount of \$1,459.

In 2016, the Township's final appropriations exceeded the final Amended Official Certificate of Estimated Resources for the following:

- General Fund in the amount of \$45,635,
- Lighting Assessment Fund in the amount of \$21,353,
- Permanent Improvement Fund in the amount of \$159,
- Public Works Issue II Fund in the amount of \$63,013.

LIBERTY TOWNSHIP
TRUMBULL COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-008 (Continued)

Noncompliance (Continued)

The Township lacked internal controls and procedures to prevent the above non-compliances.

The Township should amend the budget if available to help ensure appropriations do not exceed estimated resources.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2017-009

Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting 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. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the 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 taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

LIBERTY TOWNSHIP
TRUMBULL COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-009 (Continued)

Noncompliance (Continued)

3. Super Blanket Certificate – The entity 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 extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 20% of the expenditures tested for 2017 and for 7% of the expenditures tested for 2016.

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.

Management's Response – We did not receive a response from officials to this finding.

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**LIBERTY TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Department of Transportation Grant Funds	Corrected	
2015-002	Actual Disbursements Exceed Appropriations	Not Corrected	Repeated as Finding number 2017-007
2015-003	Negative Fund Balance	Not Corrected	Repeated as Finding number 2017-006
2015-004	Appropriations limited by Estimated Resources	Not Corrected	Repeated as Finding number 2017-008
2015-005	Interfund Transfers	Corrected	
2015-006	Integrated Accounting System	Not Corrected	Repeated as Finding number 2017-003
2015-007	Improper Posting of Receipts and Disbursements	Not Corrected	Repeated as Finding number 2017-002
2015-008	Bank Reconciliations	Not Corrected	Repeated as Finding number 2017-004
2015-009	Medicount Management Ambulance and EMS Billings	Corrected	

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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
DECEMBER 13, 2018