



OHIO AUDITOR OF STATE
KEITH FABER



LIBERTY TOWNSHIP
JACKSON COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road
The Plains, Ohio 45780-1231
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

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, 2019 and 2018.

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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 9 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2020, 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.



Keith Faber
Auditor of State
Columbus, Ohio

May 22, 2020

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, 2019

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$97,065	\$82,752	\$131,922	\$311,739
Intergovernmental	33,775	150,632	0	184,407
Earnings on Investments	70	15	0	85
Miscellaneous	2,163	0	20,226	22,389
<i>Total Cash Receipts</i>	<u>133,073</u>	<u>233,399</u>	<u>152,148</u>	<u>518,620</u>
Cash Disbursements				
Current:				
General Government	123,626	0	0	123,626
Public Safety	0	83,314	0	83,314
Public Works	9,926	131,446	155,519	296,891
Health	0	200	0	200
Debt Service:				
Principal Retirement	0	0	23,506	23,506
Interest and Fiscal Charges	0	0	355	355
<i>Total Cash Disbursements</i>	<u>133,552</u>	<u>214,960</u>	<u>179,380</u>	<u>527,892</u>
<i>Net Change in Fund Cash Balances</i>	(479)	18,439	(27,232)	(9,272)
<i>Fund Cash Balances, January 1</i>	<u>27,291</u>	<u>36,979</u>	<u>79,420</u>	<u>143,690</u>
Fund Cash Balances, December 31				
Restricted	0	55,418	52,188	107,606
Assigned	24,870	0	0	24,870
Unassigned (Deficit)	1,942	0	0	1,942
<i>Fund Cash Balances, December 31</i>	<u>\$26,812</u>	<u>\$55,418</u>	<u>\$52,188</u>	<u>\$134,418</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, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Liberty Township, Jackson County (the Township), as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection

Public Entity Risk Pool

The Township participates in the Ohio Township Risk Management Authority (OTARMA), a public entity risk pool. Note 6 to the financial statements 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 taxes restricted for Fire Department use only.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

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

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included an audit adjustment in the accompanying budgetary presentation for a material item that should have been encumbered.

A summary of 2019 budgetary activity appears in Note 3.

Deposits

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

Capital Assets

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

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

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.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$130,518	\$133,073	\$2,555
Special Revenue	216,701	233,399	16,698
Capital Projects	166,294	152,148	(14,146)
Total	\$513,513	\$518,620	\$5,107

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$155,867	\$133,552	\$22,315
Special Revenue	245,291	214,960	30,331
Capital Projects	256,045	189,746	66,299
Total	\$657,203	\$538,258	\$118,945

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:

	2019
Demand deposits	\$134,418

Deposits

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

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 5 – Property Taxes (Continued)

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

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

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

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

Note 7 – Defined Benefit Pension Plan

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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2019.

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 0 percent during calendar year 2019.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 8 – Postemployment Benefits (Continued)

The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019

Note 9 – Subsequent Events

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

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, 2018*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$96,980	\$79,220	\$0	\$176,200
Intergovernmental	33,584	131,331	153,478	318,393
Earnings on Investments	47	9	0	56
Miscellaneous	2,808	15,988	3,335	22,131
<i>Total Cash Receipts</i>	<u>133,419</u>	<u>226,548</u>	<u>156,813</u>	<u>516,780</u>
Cash Disbursements				
Current:				
General Government	116,348	0	0	116,348
Public Safety	0	79,216	0	79,216
Public Works	9,926	129,306	115,424	254,656
Health	15,000	0	0	15,000
Capital Outlay	0	650	0	650
Debt Service:				
Principal Retirement	0	0	30,463	30,463
Interest and Fiscal Charges	0	0	1,256	1,256
<i>Total Cash Disbursements</i>	<u>141,274</u>	<u>209,172</u>	<u>147,143</u>	<u>497,589</u>
<i>Net Change in Fund Cash Balances</i>	(7,855)	17,376	9,670	19,191
<i>Fund Cash Balances, January 1</i>	<u>35,146</u>	<u>19,603</u>	<u>69,750</u>	<u>124,499</u>
Fund Cash Balances, December 31				
Restricted	0	36,979	79,420	116,399
Assigned	25,349	0	0	25,349
Unassigned (Deficit)	1,942	0	0	1,942
<i>Fund Cash Balances, December 31</i>	<u>\$27,291</u>	<u>\$36,979</u>	<u>\$79,420</u>	<u>\$143,690</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, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Liberty Township, Jackson County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection.

Public Entity Risk Pool

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each fund budgeted annually.

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

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

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits

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

Capital Assets

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

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

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.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$121,552	\$133,419	\$11,867
Special Revenue	204,320	226,548	22,228
Capital Projects	149,346	156,813	7,467
Total	\$475,218	\$516,780	\$41,562

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$147,981	\$141,274	\$6,707
Special Revenue	223,922	209,172	14,750
Capital Projects	227,814	147,143	80,671
Total	\$599,717	\$497,589	\$102,128

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:

	2018
Demand deposits	\$143,690

Deposits

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

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 5 – Property Taxes (Continued)

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

Note 6 – Risk Management

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

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

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

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

Note 7 – Defined Benefit Pension Plan

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.

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, 2018.

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.

Liberty Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 8 – Postemployment Benefits (Continued)

The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
General Obligation Note	\$23,450	3%

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 seven years.

Amortization

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

	General Obligation Bonds
Year Ending December 31:	
2019	\$23,697

OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road
The Plains, Ohio 45780-1231
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

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, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated May 22, 2020 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code §117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

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 certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2019-003 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 2019-001 and 2019-002.

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 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 22, 2020

LIBERTY TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-001

Finding for Recovery/Noncompliance/Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

In 2018, employee Alden Mapes was paid an hourly rate of \$15.50 for the hours from January 1, 2018 through January 11, 2018 and \$16 for the hours worked from January 11, 2018 through December 31, 2018. During testing of payroll, it was revealed that employee Alden Mapes received an extra \$15.50 and \$16, respectively, identified as "non-retirement 1 item" on each of his paychecks in excess of his pay for hours worked. This resulted in an overpayment to Mr. Mapes of \$367 that was paid from the Gasoline Tax Fund.

In 2019, employee Alden Mapes was paid an hourly rate of \$16 for the hours from January 1, 2019 through January 10, 2019 and \$17 for the hours worked from January 11, 2019 through December 31, 2019. During testing of payroll, it was revealed that employee Alden Mapes received an extra \$16 and \$17, respectively, identified as "non-retirement 1 item" on each of his pay checks in excess of his pay for hours worked. This resulted in an overpayment to Mr. Mapes of \$373 which was paid from the Gasoline Tax Fund.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Alden Mapes, employee, Jill Newman Fiscal Officer, and Travelers Casualty and Surety Company of America, in the amount of \$740 and in favor of Liberty Township's Gasoline Tax Fund.

Mr. Mapes repaid the \$740 finding referenced above on May 9, 2020 on receipt number 24-2020. The amount was repaid back into the Liberty Township Gasoline Tax Fund in the amount of \$740.

Officials' Response: This was an error in the system that added an hour to Mr. Mapes paycheck each time his check was printed. Since there was already \$85 for 2020 paid to Mr. Mapes in error, 4 hours was taken out of his 4/9/2020 pay to correct the error for 2020. The Fiscal Officer corrected the error when it was caught by the audit. For the 2018 and 2019 monies paid in error, Mr. Mapes repaid \$740 back to the Township.

FINDING NUMBER 2019-002

Noncompliance

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.

**LIBERTY TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

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

FINDING NUMBER 2019-002 (Continued)

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

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.

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.

Eighty-two percent of disbursements tested were not certified by the Fiscal Officer at the time the commitment was incurred. Also, the Township had an unrecorded encumbrance of \$10,366 at December 31, 2019 in the Permissive Sales Tax Capital Projects Fund. In addition, the Board of Trustees did not establish a maximum amount for blanket certificates.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township funds exceeding budgetary spending limitations, the Fiscal Officer should certify 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.

**LIBERTY TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

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

FINDING NUMBER 2019-002 (Continued)

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

The Fiscal Officer should certify the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Ohio Rev. Code § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs the commitment, and only when the requirements of Ohio Rev. Code § 5705.41(D) are satisfied, and they should be approved by the Board of Trustees. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation. In addition, the Trustees should establish by ordinance or resolution, a maximum amount for any blanket certificates used by the Township.

Officials' Response: The Fiscal Officer agrees to receive continuing education on how to properly use the different purchase orders offered in the UAN system.

FINDING NUMBER 2019-003

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 2018:

- General Fund intergovernmental receipts of \$15,370 were incorrectly posted as taxes receipts;
- General Fund intergovernmental receipts of \$2,180 were incorrectly posted to the Permissive Sales Tax Capital Projects Fund as intergovernmental receipts;
- General Fund miscellaneous receipts of \$720 were incorrectly posted to the Permissive Sales Tax Capital Projects Fund as intergovernmental receipts;
- 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 \$25,349;
- Motor Vehicle License Tax Fund intergovernmental receipts of \$958 were incorrectly posted to the General Fund;
- Motor Vehicle License Tax Fund and Gasoline Tax Fund miscellaneous receipts of \$49 and \$7,382, respectively, were incorrectly posted to the Permissive Sales Tax Capital Projects Fund as intergovernmental receipts;
- Motor Vehicle License Tax Fund and Gasoline Tax Fund miscellaneous receipts of \$4,525 and \$3,535, respectively, were incorrectly posted as intergovernmental receipts;

**LIBERTY TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

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

FINDING NUMBER 2019-003 (Continued)

Material Weakness (Continued)

- Gasoline Tax Fund public works disbursements of \$90,160 were incorrectly classified as public safety disbursements;
- FEMA Fund public works disbursements of \$19,546 were incorrectly classified 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 Motor Vehicle License Tax Fund and the Gasoline Tax Fund ending fund balances as assigned instead of restricted, in the amounts of \$9,500 and \$16,035, respectively; and
- Permissive Sales Tax Capital Projects Fund miscellaneous receipts of \$11,486 were incorrectly classified as intergovernmental receipts.

In 2019:

- General Fund intergovernmental receipts of \$15,520 were incorrectly posted as taxes receipts;
- 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 \$24,870;
- Motor Vehicle License Tax Fund intergovernmental receipts of \$2,493 were incorrectly posted to the Permissive Sales Tax Capital Projects Fund as intergovernmental receipts;
- Gasoline Tax Fund intergovernmental receipts of \$12,093 were incorrectly classified as sale of fixed assets receipts;
- Gasoline Tax Fund public works disbursements of \$94,582 were incorrectly classified as public safety disbursements;
- FEMA Fund public works disbursements of \$20,226 were incorrectly classified 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 Motor Vehicle License Tax Fund and the Gasoline Tax Fund ending fund balances as assigned instead of restricted, in the amounts of \$9,281 and \$32,504, respectively; and
- Permissive Sales Tax Capital Projects Fund miscellaneous receipts of \$20,226 were incorrectly classified as intergovernmental receipts.

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, 2019 AND 2018
(Continued)

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

FINDING NUMBER 2019-003 (Continued)

Material Weakness (Continued)

The Fiscal Officer should review the Township handbook for guidance to ensure financial statements are complete and accurate. The Fiscal Officer should also review Auditor of State Bulletin 2011-004 for Statement No. 54 of the Governmental Accounting Standards Board (GASB) for proper reporting of fund balances on the financial statements [see GASB Cod. 1800.170 and 1800.176].

Officials' Response: The Fiscal Officer will review the Auditor of State Bulletin 2011-004 for Statement No. 54 of the Governmental Accounting Standards Board for proper reporting of fund balances on the financial statements.

Liberty Township Board of Trustees

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

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

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

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Ohio Rev. Code § 133.15 – Unallowable Type of Debt	Corrected	
2017-002	Ohio Rev. Code § 5705.41(D)(1) – Not properly encumbering.	Not Corrected.	Fiscal Officer will be committed to having education on properly using UAN purchase orders.
2017-003	Material Weakness relating to several incorrect postings.	Not Corrected.	Fiscal Officer will again commit to being educated on where to properly post each fund received.

OHIO AUDITOR OF STATE KEITH FABER



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
JUNE 9, 2020**