

LIBERTY TOWNSHIP
LICKING COUNTY
REGULAR AUDIT
JANUARY 1, 2012 – DECEMBER 31, 2013





Dave Yost • Auditor of State

Board of Trustees
Liberty Township
4900 Dutch Lane
Johnstown, Ohio 43031

We have reviewed the *Independent Auditor's Report* of Liberty Township, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2012 through December 31, 2013. 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.

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. Liberty Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

October 29, 2014

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**LIBERTY TOWNSHIP
LICKING COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Liberty Township
Licking County
4900 Dutch Lane
Johnstown, Ohio 43031

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Liberty Township, Licking County, (the Township) as of and for the years ended December 31, 2013 and 2012.

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 opinion.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, 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 combined cash balances of Liberty Township, Licking County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2014 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.

Wilson, Shuman & Snow, Inc.

October 12, 2014
Newark, Ohio

**LIBERTY TOWNSHIP
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Private Purpose Trust</u>	
Cash Receipts:				
Local Taxes	\$ 119,908	\$ 389,948	\$ -	\$ 509,856
Intergovernmental	63,743	148,251	-	211,994
Licenses, Permits, and Fees	13,771	1,350	-	15,121
Earnings on Investments	1,656	523	13	2,192
Other Revenue	-	3,016	-	3,016
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	199,078	543,088	13	742,179
Cash Disbursements:				
Current:				
General Government	118,186	317,207	-	435,393
Public Safety	-	3,850	-	3,850
Public Works	-	505,207	-	505,207
Health	-	6,625	-	6,625
Debt Service:				
Redemption of Principal	-	8,300	-	8,300
Capital Outlay	467	-	-	467
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	118,653	841,189	-	959,842
Total Receipts Over (Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	80,425	(298,101)	13	(217,663)
Other Financing Receipts (Disbursements):				
Transfers Out	(233,193)	-	-	(233,193)
Transfers In	-	233,193	-	233,193
Other Sources	14,833	-	-	14,833
Other Uses	(93)	-	-	(93)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts (Disbursements)	(218,453)	233,193	-	14,740
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Receipts (Disbursements)	<hr/>	<hr/>	<hr/>	<hr/>
	(138,028)	(64,908)	13	(202,923)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	683,371	315,090	1,708	1,000,169
Fund Cash Balances, December 31	<hr/> \$ 545,343	<hr/> \$ 250,182	<hr/> \$ 1,721	<hr/> \$ 797,246
Fund Cash Balances, December 31				
Restricted	\$ -	\$ 250,182		\$ 250,182
Assigned	540,814	-		540,814
Unassigned	4,529	-		4,529
Fund Cash Balances, December 31	<hr/> \$ 545,343	<hr/> \$ 250,182		<hr/> \$ 795,525

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

**LIBERTY TOWNSHIP
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Private Purpose Trust</u>	
Cash Receipts:				
Local Taxes	\$ 116,896	\$ 382,417	\$ -	\$ 499,313
Intergovernmental	76,745	138,898	-	215,643
Licenses, Permits, and Fees	9,755	300	-	10,055
Earnings on Investments	2,053	635	13	2,701
Other Revenue	3,810	15,884	-	19,694
	<u>209,259</u>	<u>538,134</u>	<u>13</u>	<u>747,406</u>
Cash Disbursements:				
Current:				
General Government	120,350	353,830	-	474,180
Public Safety	-	3,441	-	3,441
Public Works	-	250,887	-	250,887
Health	-	215	-	215
Debt Service:				
Redemption of Principal	-	25,014	-	25,014
Interest and Fiscal Charges	-	1,025	-	1,025
Capital Outlay	354	-	-	354
	<u>120,704</u>	<u>634,412</u>	<u>-</u>	<u>755,116</u>
Total Receipts Over (Under) Disbursements	<u>88,555</u>	<u>(96,278)</u>	<u>13</u>	<u>(7,710)</u>
Other Financing Receipts (Disbursements):				
Other Sources	7,976	1,753	-	9,729
Other Uses	(12)	-	-	(12)
	<u>7,964</u>	<u>1,753</u>	<u>-</u>	<u>9,717</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Receipts (Disbursements)	96,519	(94,525)	13	2,007
Fund Cash Balances, January 1	<u>586,852</u>	<u>409,615</u>	<u>1,695</u>	<u>998,162</u>
Fund Cash Balances, December 31	<u>\$ 683,371</u>	<u>\$ 315,090</u>	<u>\$ 1,708</u>	<u>\$ 1,000,169</u>
Fund Cash Balances, December 31				
Restricted	\$ -	\$ 315,090		\$ 315,090
Assigned	132,545	-		132,545
Unassigned	550,826	-		550,826
Fund Cash Balances, December 31	<u>\$ 683,371</u>	<u>\$ 315,090</u>		<u>\$ 998,461</u>

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

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Liberty Township, Licking 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 contracts with Monroe Township and St. Albans Township for fire protection and emergency medical services. Police protection is provided by the Licking County Sheriff.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 8 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.

B. Accounting Basis

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

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

C. Deposits

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.

D. Fund Accounting

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

1. General Fund

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

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Fire Levy Fund - This money receives taxes and intergovernmental money for fire protection of the Township persons and property.

3. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund receives gifts and donations from benefactors and uses the interest earned on the fund balance for improving the Township cemetery.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. 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.

H. 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:

1. Nonspendable

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

2. Restricted

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

3. Committed

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

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance (Continued)

4. Assigned

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

5. Unassigned

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

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

2. Equity in Pooled Deposits

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

	<u>2013</u>	<u>2012</u>
Total demand deposits	<u>\$797,246</u>	<u>\$1,000,169</u>

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

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

3. Budgetary Activity

Budgetary activity for the years ending 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$159,162	\$213,911	\$54,749
Special Revenue	760,046	776,281	16,235
Fiduciary	7	13	6
Total	\$919,215	\$990,205	\$70,990

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$842,103	\$351,939	\$490,164
Special Revenue	1,070,612	841,149	229,463
Total	\$1,912,715	\$1,193,088	\$719,627

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$148,055	\$217,235	\$69,180
Special Revenue	536,921	539,887	2,966
Fiduciary	57	13	(44)
Total	\$685,033	\$757,135	\$72,102

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$793,833	\$120,716	\$673,117
Special Revenue	830,963	634,412	196,551
Total	\$1,624,796	\$755,128	\$869,668

Contrary to Ohio law, the Township did not comply with Ohio Administrative Code Section 117-2-02 (A) and had appropriations exceeding total estimated resources available contrary to Ohio Revised Code Section 5705.39 within the General and the Special Revenue-Road and Bridge, Motor Vehicle License Tax, and Cemetery Funds at December 31, 2012.

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

4. Property Tax

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

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

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

5. Capitalized Leases – Lessee Disclosure

During 2010 the Township entered into a three year capitalized lease for the purchase of a dump truck totaling \$50,200. The accompanying principal and interest payments are recognized within the Special Revenue Fund principal and interest line items. Principal and interest totaled \$17,739 noting this lease was retired at December 31, 2012.

6. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
OPWC - Stone Quarry Road	\$889	0.00%
OPWC - Sadie Thomas Road	39,135	0.00%
Total	\$40,024	

The Ohio Public Works Commission (OPWC) Loan are supported by the full faith and credit of the Township and is payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal payments. The outstanding principal amounts represent the Township's confirmed OPWC obligations at December 31, 2013:

Year Ended December 31:	OPWC - Stone Quarry Road	OPWC - Sadie Thomas Road	Total
2014	\$889	\$6,522	\$7,411
2015	0	6,522	6,522
2016	0	6,522	6,522
2017	0	6,523	6,523
2018	0	6,523	6,523
2019	0	6,523	6,523
Total	\$889	\$39,135	\$40,024

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

7. Retirement Systems

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

8. 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.

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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$3,918.

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

8. Risk Management (Continued)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$7,124	\$7,503

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.



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

Liberty Township
Licking County
4900 Dutch Lane
Johnstown, Ohio 43031

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 Liberty Township, Licking County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated October 12, 2014, 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 findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider findings 2013-01 through 2013-02 and 2013-06 described in the accompanying schedule of findings to be material weaknesses.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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(740) 345-6611
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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 2013-03 through 2013-05.

Entity'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 audit the Township's responses 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.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
October 12, 2014

**LIBERTY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2013-01
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Financial Statement Presentation – Material Weakness

Sound financial reporting is the responsibility of the Township and is essential to ensure the information provided to the users of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were posted to the financial statements and, where applicable, to the Township’s accounting records:

- An audit adjustment of \$14,367.76 was recorded to properly reconcile the Township at December 31, 2013. See Finding 2013-02 for additional information.
- The Township incorrectly posted rollback and homestead receipts as taxes instead of intergovernmental receipts. Audit reclassifications were necessary in 2013 of \$18,678 and \$52,045 within the General and Special Revenue Funds, respectively. In addition, audit reclassifications were necessary in 2012 of \$16,166 and \$47,608 within the General and Special Revenue Funds, respectively.
- Estate tax and local government receipts of \$43,213 and \$926, respectively, were incorrectly posted as taxes instead of intergovernmental receipts within the General Fund during 2012. For 2013, the Township incorrectly posted local government receipts of \$2,197 as taxes instead of intergovernmental receipts.
- Principal and interest payments were reclassified from Public Works disbursements within the Special Revenue Fund of \$16,714 and \$1,025, respectively during 2012.
- Audit adjustments were necessary to properly reconcile beginning cash balances from the prior year audit report to the Uniform Accounting Network at January 1, 2012. Adjustments totaled \$7,976 and \$1,753 for the General and Special Revenue Funds, respectively.
- Audit reclassifications were necessary to properly report \$540,814 and \$132,545 as assigned fund balance in the General Fund at December 31, 2013 and 2012, respectively.

Not posting receipts and disbursements accurately to the ledgers resulted in the financial statements requiring audit reclassifications and adjustments; furthermore, inaccurate accounting records could make it difficult for the Board of Trustees to effectively monitor the Township’s activities or identify misstatements or errors in a timely manner. We recommend the Township’s Fiscal Officer takes steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions and Ohio Township Handbook.

Officials Response: We did not receive a response for this finding.

**LIBERTY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2013-02
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Cash Reconciliation – Material Weakness

Strong monitoring practices are essential to ensure proper financial reporting. A bank to book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances. Additionally, bank to book reconciliations should be reviewed monthly, scrutinized, and evidence of these reviews should be documented.

The Township reported within its bank reconciliation summaries “other adjusting factors” of which supporting documentation was not maintained to support the reported amounts. As a result audit adjustments were necessary to properly reconcile the bank balances to the book balances of the Township totaling \$14,367.76.

Furthermore, bank to book reconciliations provided for audit reported incorrect outstanding items at December 31, 2013. This was primarily attributed to the Fiscal Officer identifying outstanding items as “cleared” versus “outstanding” within the Uniform Accounting System. These items were incorporated into the audit adjustment necessary to reconcile the Township at December 31, 2013.

Certain electronic fund transfers received from the Licking County Auditor and also disbursed to the Internal Revenue Service were not properly or timely recorded by the Township. These items were incorporated into the audit adjustment necessary to reconcile the Township at December 31, 2013.

Finally, we identified other issues contributing to the Township not reconciling, including not properly recording bank service charges and interest receipts.

We recommend the Township reconcile all bank accounts to the books on a timely basis. This process should include identifying and resolving any reconciling items and resolving to identify the source of the error. This will help ensure that financial activity reported is complete and accurate. Furthermore, the Township should increase the level of monitoring over the monthly cash reconciliation process and scrutinize any amounts which are reported as “other adjusting factors” in the monthly cash reconciliations. Evidence that discrepancies are identified should be documented in the minutes, accordingly.

Officials Response: We did not receive a response for this finding.

**LIBERTY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2013-03
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Ohio Administrative Code Section 117-2-02 states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and reports its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. It also states that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements.

The Township's accounting system and accounting records were deficient, as follows:

- Audit adjustments were necessary to properly report motor vehicle license taxes, gasoline taxes, and local government receipts which were wired to the Township's bank accounts but not recorded of \$9,487 and \$5,024 in 2013 and 2012, respectively.
- Audit adjustments were necessary to record electronic fund transfers to the Internal Revenue Service totaling \$4,422.98.
- Receipts and disbursements were not consistently recorded on a timely basis which attributed to the Township incorrectly coding and posting transactions. These delays may have attributed to the Township's inability to reconcile to a zero balance and also the number of audit adjustments and reclassifications identified during the audit.

We recommend the Township develop procedures to timely record transactions during the proper period and determine all amounts received and disbursed are accompanied by supporting documentation.

Officials Response: We did not receive a response for this finding.

Finding Number	2013-04
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Ohio Revised Code Section 149.351(A) states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Ohio Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed lawfully.

The Township was required to request from the Internal Revenue Service documentation supporting amounts paid and subsequent refunds during the audit period. In addition, the Township also requested additional copies of bank statements which were not originally provided for audit.

We recommend the Township follow the provisions of its record retention policy and retain documentation in accordance with the Ohio Revised Code.

Officials Response: We did not receive a response for this finding.

**LIBERTY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2013-05
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Ohio Revised Code Section 5705.39 requires that a subdivision’s total appropriations from each fund should not exceed total estimated resources. The following Special Revenue Funds had appropriations exceeding estimated resources at December 31, 2012:

Fund	Appropriations	Estimated Resources	Noncompliance
General Fund	\$793,833	\$734,907	\$58,926
Road and Bridge Fund	162,500	108,656	53,844
Cemetery Fund	9,300	2,300	7,000
Motor Vehicle License Tax Fund	15,000	12,720	2,280

With appropriations exceeding estimated resources the Township may spend more funds than in the Treasury or process of collection and cause fund deficits. We recommend that the Township monitor the original budget to determine compliance with the Ohio Revised Code when the original budget is adopted.

Officials Response: We did not receive a response for this finding.

Finding Number	2013-06
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Payroll Electronic Fund Transfers – Material Weakness

The Township remits the employers federal tax payments through the Internal Revenue Service Electronic Fund Transfer Payment System (EFTPS) for the respective share owed when payroll is processed accordingly. Although we evidenced payment voucher approval from the Trustees as provided by the Fiscal Officer we identified the following payroll accounting weaknesses:

- Certain federal taxes recorded within the payroll accounting system totaling \$4,422.98 were not wired until 2014 by the Township. This is attributed to the Fiscal Officer not initiating these transactions within EFTPS in a timely manner. These adjustments were necessary to reconcile the Township as reported in Finding 2013-02.
- Based on the Township not timely remitting federal withholdings to the Internal Revenue Service, the Township incurred penalty and interest charges totaling \$4,218.35 for the period under audit. We also noted that quarterly 941 withholding forms submitted to the Internal Revenue Service did not reconcile to payments made by the Township which also resulted in penalties and interest charges for underpayment.

Not recording payroll transactions timely and accurately resulted in the audit adjustments to the financial statements and also incurring unnecessary penalty and interest charges. We recommend the Township’s Fiscal Officer takes steps to ensure the accurate posting of all transactions to the ledgers.

Officials Response: We did not receive a response for this finding.

**LIBERTY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Revised Code Section 5705.10(C) states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. In addition, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.	Yes	NA.
2011-02	Recording and Budgeting On-Behalf Transactions.	Yes	NA.
2011-03	Ohio Revised Code Section 5705.41(B) requires expenditures shall not exceed appropriations.	Yes	NA.
2011-04	Ohio Revised Code Section 5705.39 requires appropriations shall not exceed estimated resources.	No	Re-issued as finding number 2013-05.
2011-05	Financial Statement Presentation	No	Re-issued as finding number 2013-01.

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Dave Yost • Auditor of State

LIBERTY TOWNSHIP

LICKING 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
NOVEMBER 13, 2014**