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PERRY & Associates

Certified Public Accountants, A.C.

**LIBERTY TOWNSHIP
HENRY COUNTY
Regular Audit
For the Years Ended December 31, 2014 and 2013**

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Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support
Members: American Institute of Certified Public Accountants • Ohio Society of CPAs • West Virginia Society of CPAs



Dave Yost • Auditor of State

Board of Trustees
Liberty Township
S395 County Rd 9
Liberty Center, OH 43532

We have reviewed the *Independent Auditor's Report* of Liberty Township, Henry County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2014. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 1, 2015

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LIBERTY TOWNSHIP
HENRY COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 17, 2015

Liberty Township
Henry County
S395 County Rd 9
Liberty Center, Ohio 43532

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of **Liberty Township**, Henry County, (the Township) as of and for the years ended December 31, 2014 and 2013.

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.

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

As described in Note 1B of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, 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, Henry County as of December 31, 2014 and 2013, 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 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2015, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



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

**LIBERTY TOWNSHIP
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 17,615	\$ 93,810	\$ 61,561	\$ 172,986
Charges for Services	-	37,939	-	37,939
Licenses, Permits and Fees	27,480	1,260	-	28,740
Intergovernmental	36,631	149,948	7,141	193,720
Earnings on Investments	2,020	864	28	2,912
Miscellaneous	504	9,493	-	9,997
<i>Total Cash Receipts</i>	<u>84,250</u>	<u>293,314</u>	<u>68,730</u>	<u>446,294</u>
Cash Disbursements				
Current:				
General Government	86,535	9,964	1,858	98,357
Public Safety	-	96,812	-	96,812
Public Works	-	132,652	-	132,652
Health	-	3,115	-	3,115
Conservation-Recreation	3,643	8,792	-	12,435
Capital Outlay	1,000	74,547	110,850	186,397
Debt Service:				
Principal Retirement	-	82,340	69,238	151,578
Interest and Fiscal Charges	-	3,371	7,142	10,513
<i>Total Cash Disbursements</i>	<u>91,178</u>	<u>411,593</u>	<u>189,088</u>	<u>691,859</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,928)</u>	<u>(118,279)</u>	<u>(120,358)</u>	<u>(245,565)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	-	-	110,850	110,850
Sale of Capital Assets	-	18,000	-	18,000
Transfers In	-	25,282	10,478	35,760
Transfers Out	(35,760)	-	-	(35,760)
Other Financing Sources	1,075	273	-	1,348
Other Financing Uses	(24)	-	-	(24)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(34,709)</u>	<u>43,555</u>	<u>121,328</u>	<u>130,174</u>
<i>Net Change in Fund Cash Balances</i>	(41,637)	(74,724)	970	(115,391)
<i>Fund Cash Balances, January 1</i>	<u>245,684</u>	<u>585,523</u>	<u>13,841</u>	<u>845,048</u>
Fund Cash Balances, December 31				
Restricted	-	510,799	14,811	525,610
Unassigned	204,047	-	-	204,047
<i>Fund Cash Balances, December 31</i>	<u>\$ 204,047</u>	<u>\$ 510,799</u>	<u>\$ 14,811</u>	<u>\$ 729,657</u>

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

**LIBERTY TOWNSHIP
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 15,527	\$ 90,805	\$ 59,522	\$ 165,854
Charges for Services	-	44,208	-	44,208
Licenses, Permits and Fees	27,074	1,250	-	28,324
Intergovernmental	60,379	189,045	7,386	256,810
Earnings on Investments	511	137	42	690
Miscellaneous	4,379	4,563	-	8,942
<i>Total Cash Receipts</i>	<u>107,870</u>	<u>330,008</u>	<u>66,950</u>	<u>504,828</u>
Cash Disbursements				
Current:				
General Government	91,105	11,119	1,746	103,970
Public Safety	-	115,235	-	115,235
Public Works	-	46,793	-	46,793
Health	-	5,691	-	5,691
Conservation-Recreation	-	6,931	-	6,931
Capital Outlay	-	101,704	-	101,704
Debt Service:				
Principal Retirement	-	36,931	50,735	87,666
Interest and Fiscal Charges	-	481	10,313	10,794
<i>Total Cash Disbursements</i>	<u>91,105</u>	<u>324,885</u>	<u>62,794</u>	<u>478,784</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>16,765</u>	<u>5,123</u>	<u>4,156</u>	<u>26,044</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	-	77,582	-	77,582
Transfers In	-	10,990	-	10,990
Transfers Out	(10,990)	-	-	(10,990)
Advances In	10,000	10,000	-	20,000
Advances Out	(10,000)	(10,000)	-	(20,000)
Other Financing Sources	-	3,500	-	3,500
Other Financing Uses	(17)	-	-	(17)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(11,007)</u>	<u>92,072</u>	<u>-</u>	<u>81,065</u>
<i>Net Change in Fund Cash Balances</i>	5,758	97,195	4,156	107,109
<i>Fund Cash Balances, January 1</i>	<u>239,926</u>	<u>488,328</u>	<u>9,685</u>	<u>737,939</u>
Fund Cash Balances, December 31				
Restricted	-	585,523	13,841	599,364
Unassigned	245,684	-	-	245,684
<i>Fund Cash Balances, December 31</i>	<u>\$ 245,684</u>	<u>\$ 585,523</u>	<u>\$ 13,841</u>	<u>\$ 845,048</u>

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

**LIBERTY TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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, Henry 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, fire protection and emergency medical services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

(OPRM) – a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”).

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Township values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**LIBERTY TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

2. 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 – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

Fire District Fund – The fund receives property tax money and fire and emergency medical service contract revenues for maintaining fire and rescue department services, equipment, and vehicles.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Miscellaneous Debt Service Fund – This fund receives property tax money for repaying debt used to finance construction of the new fire station.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

LIBERTY TOWNSHIP
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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 *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant and Equipment

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

**LIBERTY TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(CONTINUED)**

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:

	2014	2013
Demand deposits	\$ 329,657	\$ 444,117
Certificates of Deposit	400,000	400,931
Total deposits	\$ 729,657	\$ 845,048

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 143,350	\$ 85,121	\$ (58,229)
Special Revenue	373,570	337,073	(36,497)
Debt Service	72,709	190,058	117,349
Capital Projects	1,000	-	(1,000)
Total	\$ 590,629	\$ 612,252	\$ 21,623

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 188,125	\$ 128,540	\$ 59,585
Special Revenue	402,597	412,664	(10,067)
Debt Service	64,350	189,088	(124,738)
Capital Projects	1,000	-	1,000
Total	\$ 656,072	\$ 730,292	\$ (74,220)

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 75,261	\$ 108,074	\$ 32,813
Special Revenue	410,566	422,080	11,514
Debt Service	66,756	66,950	193
Capital Projects	1,100	-	(1,100)
Total	\$ 553,683	\$ 597,104	\$ 44,521

**LIBERTY TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(CONTINUED)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 110,483	\$ 102,112	\$ 8,371
Special Revenue	432,996	326,273	106,723
Debt Service	60,847	62,794	(1,947)
Capital Projects	1,000	-	1,000
Total	\$ 605,326	\$ 491,179	\$ 114,147

Contrary to Ohio law, the trustees salaries' were allocated to the Gasoline Tax Fund, \$7,716 in 2013 and \$13,717 in 2014 without documentation to support the salary allocations to these funds. Also contrary to Ohio law, health insurance reimbursements for the Trustees were allocated to the Gasoline Tax Fund, \$6,405 in 2013 and \$3,096 in 2014. Also contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Park Levy Fund by \$6,680 in 2013 and \$3,268 in 2014, the Debt Service Fund by \$1,947 in 2013 and \$124,588 in 2014, and the Gasoline Tax Fund by \$56,723 in 2014. Also, contrary to Ohio law, there are violations of Ohio Rev. Code Section 5705.41(D) relating to expenditures having prior certification of availability of funds.

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.

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

5. DEBT

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Fire Station	\$ 80,000	5.50%
Ambulance	100,503	3.10%
Total	\$ 180,503	

The Township issued debt in the amount of \$800,000 in 2003 for eighteen years with semi-annual payments of \$19,048.51 with Henry County Bank for a fire station.

The Township issued debt in the amount of \$110,850 in 2014 for five years with monthly payments of \$1,991.98 with Henry County Bank for an ambulance.

**LIBERTY TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(CONTINUED)**

5. DEBT (Continued)

Amortization of the above debt is scheduled as follows:

Year ending December 31:	Fire Station	Ambulance
2015	\$38,097	\$23,904
2016	38,097	23,904
2017	38,097	23,904
2018	38,097	23,904
2019-2023	77,888	9,698
Total	<u>\$230,276</u>	<u>\$105,313</u>

6. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multi-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

7. RISK POOL MEMBERSHIP

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

**LIBERTY TOWNSHIP
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(CONTINUED)**

7. RISK POOL MEMBERSHIP (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013 (latest information available):

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	<u>(6,687,193)</u>	<u>(7,968,395)</u>
Members'		
Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org

8. WASTEWATER DISCHARGE ASSESSMENT AGREEMENT

On April 1, 1996, the Township entered into an agreement (the Agreement) with Worthington Industries, Inc. and North Star BHP Steel Ltd (the Companies). The Agreement allows for the construction and usage of an industrial discharge line from the Companies, located in York Township, Fulton County, to the Maumee River, which runs through the County Road 10 right of way in York Township, Fulton County, and Liberty Township, Henry County.

The term of the Agreement is 20 years or as long as the industrial discharge line is used by the Companies, or either of them, whichever period is less. At the end of the 20 year term, the Companies may continue to use the industrial discharge line without further assessment unless a new assessment is mutually agreed to by the parties.

In consideration of the rights given under the Agreement, the Companies agreed to pay the Township an initial annual usage assessment fee of \$20,000. The annual fee is increased each year by an amount equal to the increase in the Consumer Price Index (CPI) or \$500, whichever is greater. The annual usage assessment fee is due by May 1 each year. The amounts received are recorded in the General Fund as licenses, fees and permits.

9. CONTINGENT LIABILITIES

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



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

June 17, 2015

Liberty Township
Henry County
S395 County Rd 9
Liberty Center, Ohio 43532

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**, Henry County, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 17, 2015, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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 2014-001 and 2014-002 described in the accompanying schedule of audit findings to be a material weaknesses.

... "bringing more to the table"

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support
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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 audit findings as items 2014-002 and 2014-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 17, 2015.

Purpose of this Report

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



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

**LIBERTY TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Material Weakness

Posting Receipts, Disbursements and Fund Balances

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund balances should be properly classified based on Governmental Accounting Standards Board Statement No. 54.

During 2014 and 2013, receipts, disbursements, and fund balances were not always posted correctly. The following posting errors were noted:

- Rollback receipts were recorded to Property Tax in the General, Road and Bridge, and Fire Levy Funds and should have been recorded to Intergovernmental in the General, Road and Bridge, and Fire Levy Funds in 2013 and 2014.
- Rollback receipts were recorded to Tangible Property Tax in the General, Road and Bridge, and Fire Levy Funds and should have been recorded to Intergovernmental in the General, Road and Bridge, and Fire Levy Funds in 2013.
- Investment earnings were recorded in the Miscellaneous Debt Service Fund instead of the General Fund in 2013 and 2014.
- Debt Proceeds and Capital Outlay for new debt was not properly recorded in 2014 and 2013.
- Elected Officials salaries and out of pocket healthcare premium reimbursements were adjusted to the General Fund from the Gasoline Tax Fund due to no support provided.
- Fund balance for the General Fund was classified as assigned instead of unassigned in 2014 and 2013.
- The loan payoff for the tractor was not properly recorded in Debt Service in 2014.
- Grant Revenue was posted as Other Financing Sources instead of Miscellaneous in 2013.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring several reclassification and adjusting entries. The Financial Statements reflect all reclassifications and adjustments. The Township had made these adjustments to their accounting system.

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

We also recommend the Fiscal Officer refer to Ohio Administrative Code and/or the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Bulletin 2011-004 for assistance in properly classifying fund balances.

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

**LIBERTY TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2014-002

Noncompliance/Material Weakness

Ohio Revised Code, §505.24(C), sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-006. This section requires that compensation of a township trustee must be paid from the Township General fund or from such other township funds, in such proportions as the Board may specify by resolution. In addition, trustees are to establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation.

During 2013 and 2014, the Fiscal Officer apportioned Trustees' salaries and healthcare reimbursements to the Gasoline Tax Fund. There was no documentation provided by Trustees during 2013 and 2014 to support the salary and reimbursement allocations to funds other than the General fund. As a result, the Gasoline Tax fund was incorrectly charged \$7,716 for salaries and \$6,405 for reimbursements in 2013 and \$13,717 for salaries and \$3,096 for reimbursements in 2014.

We recommend all Trustees' salaries and healthcare reimbursements be paid according to administrative procedures established to document the proportionate amount of trustees' salaries and healthcare reimbursements chargeable to other township funds.

As a result, adjustments were made in order to fairly present the annual financial statements. The financial statements reflect these adjustments and all adjustments have been made to the Township's accounting system.

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

FINDING NUMBER 2014-003

Noncompliance

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead the Township making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.10(H) stating that money paid into any fund shall be used only for the purpose for which such fund is established;

LIBERTY TOWNSHIP
HENRY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-003 (Continued)

Noncompliance (Continued)

Budgetary Controls (Continued)

- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeding appropriations);
- Violations of 5705.41(D) relating to expenditures having prior certification of availability of funds.

The board should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Township is complying with applicable sections. If the Board does not consider this necessary, steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

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

**LIBERTY TOWNSHIP
HENRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Posting Receipts and Disbursements	No	Not Corrected, Repeated as Finding 2014-001
2012-002	ORC 505.24(C)	No	Not Corrected, Repeated as Finding 2014-002
2012-003	ORC 5705.10(H)	No	Not Corrected, Repeated as part of Finding 2014-003
2012-004	ORC 5705.41(D)	No	Not Corrected, Repeated as part of Finding 2014-003
2012-005	ORC 5705.41(B)	No	Not Corrected, Repeated as part of Finding 2014-003



Dave Yost • Auditor of State

LIBERTY TOWNSHIP

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 8, 2015**