



OHIO AUDITOR OF STATE
KEITH FABER



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Liberty Township
Van Wert County
13833 St. Rte. 118
Van Wert, Ohio 45891

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Liberty Township (the Township), on the receipts, disbursements and balances recorded in the Township's cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Township. The Township is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Township. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash and Investments

1. We recalculated the December 31, 2018 and December 31, 2017 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2017 beginning fund balances recorded in the Cash Journal to the December 31, 2016 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2018 beginning fund balances recorded in the Cash Journal to the December 31, 2017 balances in the Cash Journal. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2018 and 2017 fund cash balances reported in the Cash Journal. We noted the bank balance was \$714 higher than the book balance at December 31, 2018 and 2017.
4. We confirmed the December 31, 2018 bank account balances with the Township's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2018 bank reconciliation without exception.
5. We selected a sample (agreed upon) of five reconciling debits (such as outstanding checks) from the December 31, 2018 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. There were no exceptions.
6. We inspected the Cash Journal to determine whether the Findings for Adjustment identified in the prior audit report, payable to the General, Road and Bridge, and Fire District funds, were properly posted to the report. We found no exceptions.

7. We inspected investments held at December 31, 2018 and December 31, 2017 to determine that they:
 - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions
 - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We noted no exceptions.

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts

1. We selected a property tax receipt from one Statement of Semiannual Apportionment of Taxes (the Statement) for 2018 and one from 2017:
 - a. We traced the gross receipts from the Statement to the amount recorded in the Receipts Journal. The amounts agreed.
 - b. We inspected the Receipts Journal to confirm the receipt was allocated to the proper funds as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We inspected the Receipts Journal to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Receipts Journal to determine whether it included two real estate tax receipts for 2018 and 2017. The Receipts Journal included the proper number of tax receipts for each year.
3. We selected a sample (agreed upon) of all receipts from the State Distribution Transaction Lists (DTL) from 2018 and all from 2017. We also selected a sample (agreed upon) of five receipts from the Van Wert County Auditor's Appropriation History Report from 2018 and five from 2017.
 - a. We compared the amount from the above reports to the amount recorded in the Receipts Journal. The amounts agreed.
 - b. We inspected the Receipts Journal to determine that these receipts were allocated to the proper funds. We noted one homestead and rollback receipt in 2017 that the TIF Fund receipt of \$170 was posted to the General Fund. This error did not require adjustment to the Township's records.
 - c. We inspected the Receipts Journal to determine whether the receipts were recorded in the proper year. We found no exceptions.

Over-The-Counter Cash Receipts

We selected a sample (agreed upon) of 10 over-the-counter cash receipts from the year ended December 31, 2018 and 10 over-the-counter cash receipts from the year ended 2017 recorded in the duplicate cash receipts book and:

- a. Agreed the receipt amount to the amount recorded in the Receipts Journal. The amounts agreed.
- b. Confirmed the amounts charged complied with rates in force during the period. We found no exceptions.
- c. Inspected the Receipts Journal to determine the receipt was posted to the proper fund, and was recorded in the proper year. We found no exceptions.

Debt

1. The prior audit documentation disclosed no debt outstanding as of December 31, 2016.

2. We inquired of management, and inspected the Receipts Journal and Appropriation Ledger for evidence of debt issued during 2018 or 2017 or debt payment activity during 2018 or 2017. There were no new debt issuances, nor any debt payment activity during 2018 or 2017.

Payroll Cash Disbursements

1. We selected one payroll check for five employees from 2018 and one payroll check for five employees from 2017 from the Pay Roll Record and:
 - a. We compared the hours and pay rate, or salary recorded in the Pay Roll Record to supporting documentation (timesheet, legislatively or statutorily-approved rate or salary. We found no exceptions.
 - b. We recomputed gross and net pay and agreed it to the amount recorded in the Pay Roll Record. We found no exceptions.
 - c. We inspected the fund and account code(s) to which the check was posted to determine the posting was reasonable based on the employees' duties as documented in the minute record. We also confirmed the payment was posted to the proper year. We found no exceptions.
2. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2018 to confirm remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period of 2018. We observed the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2019	December 31, 2018	\$611.58	\$611.58
State income taxes	January 31, 2019	December 31, 2018	\$309.13	\$309.13
School district income tax	January 31, 2019	December 31, 2018	\$219.90	\$219.90
OPERS retirement	January 30, 2019	December 31, 2018	\$1,700.51	\$1,700.51

3. For the pay periods ended June 30, 2018 and September 30, 2017, we recomputed the allocation of the Boards' salaries to the General, Gasoline Tax, and Road and Bridge Funds per the Pay Roll Record. We found no exceptions.
4. For the pay periods described in the preceding procedure, we traced the Boards' salary for time or services performed to supporting certifications the Revised Code requires. We found no exceptions.
5. We inquired of management and inspected the Appropriation Ledger for the years ended December 31, 2018 and 2017 to determine if the Township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. No such reimbursements occurred.

Non-Payroll Cash Disbursements

1. From the Appropriation Ledger, we re-footed checks recorded as General Fund disbursements for health, and checks recorded as public works in the Road and Bridge fund for 2018. We found no exceptions.

2. We selected a sample (agreed upon) of 10 disbursements from the Appropriation Ledger for the year ended December 31, 2018 and 10 from the year ended 2017 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Appropriation Ledger and to the names and amounts on the supporting invoices. We found no exceptions.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We noted one expenditure for health insurance was charged entirely to the Road and Bridge Fund in 2018. The expenditure should have been allocated to the funds that pay the employee's salary (35% General, 10% Gasoline Tax, and 55% Road and Bridge. This error did not require adjustment to the Township's records.
 - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We noted the Township does not utilize purchase orders or *Then and Now Certificates* as required by Ohio Rev. Code. We noted expenditures are approved by the Board of Trustees at each regular meeting, and checks must be signed by the fiscal officer and at least two trustees. The Township should review and comply with Ohio Rev. Code Section 5705.41(D).

Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Receipts Journal for the General, Gasoline Tax, and Road and Bridge funds for the years ended December 31, 2018 and 2017. The amounts did not agree.

Year - Fund	Amended Official Certificate of Estimated Resources	Receipts Journal	Variance
2017 - General	\$53,715	\$19,920	\$33,795
2017 - Gasoline Tax	\$86,890	\$88,035	(\$1,145)
2017 - Road and Bridge	\$106,000	\$70,000	\$36,000
2018 - General	\$45,873	\$48,750	(\$2,877)
2018 - Gasoline Tax	\$88,749	\$89,053	(\$304)
2018 - Road and Bridge	\$92,560	\$112,700	(\$20,140)

The fiscal officer should periodically compare amounts recorded in the Receipts Journal to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.

2. We inspected the appropriation measures adopted for 2018 and 2017 to determine whether, for the General, Gasoline Tax, and Road and Bridge funds, the Trustees appropriated separately for "each office, department, and division, and within each, the amount appropriated for personal services," as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Ledger for 2018 and 2017 for the following funds: General, Gasoline Tax, and Road and Bridge. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Ledger, except for the Road and Bridge Fund

in 2017. The amount recorded in the Appropriation Ledger was \$1,000 less than the appropriation resolution.

4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Gasoline Tax, and Road and Bridge funds for the years ended December 31, 2018 and 2017. General Fund appropriations for 2018 exceeded certified resources by \$7,781, contrary to Ohio Rev. Code Section 5705.39. The Trustees should not pass appropriations exceeding certified resources. Allowing this to occur could cause the Township to incur fund balance deficits.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2018 and 2017 for the General, Gasoline Tax, and Road and Bridge funds, as recorded in the Appropriation Ledger. There were no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We inspected the Receipts Journal for evidence of new restricted receipts requiring a new fund during December 31, 2018 and 2017. We also inquired of management regarding whether the Township received new restricted receipts. We observed no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Township to establish a new fund.
7. For funds existing in prior years, we inspected the fund activity to determine whether the fund is still being used for the statutorily approved purpose and that all the required funds were established. All the required funds were established and no funds for which the statutorily approved purpose was no longer valid were included on the accounting records.
8. We inspected the Appropriation Ledger for the Cemetery Bequest Fund. Not more than 5% of non-spendable monies were released, spent, or otherwise modified during the engagement period.
9. We inspected the 2018 and 2017 Receipts Journal and Appropriation Ledger for evidence of interfund transfers which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner (effective after June 30, 2017) or Court of Common Pleas (effective through June 30, 2017).
10. We inquired of management and inspected the Appropriation Ledger to determine whether the Township elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13 or 5705.132. The Township did not establish these reserves.
11. We inspected the Cash Journal for the years ended December 31, 2018 and 2017 for negative cash fund balances. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. No funds had a negative cash fund balances.

Compliance – Contracts & Expenditures

We inquired of management and inspected the Appropriation Ledger for the years ended December 31, 2018 and 2017 to determine if the township proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project \$15,000-\$45,000) or to construct or reconstruct

township roads (cost of project \$5,000-\$15,000/per mile) for which Ohio Rev. Code Section 5575.01 requires the county engineer to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the county engineer to complete a force account cost estimate.

Other Compliance

1. Ohio Rev. Code Section 117.38 requires townships to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies regarding the filing of complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System. We confirmed whether the Township filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy, within the allotted timeframe for the years ended December 31, 2018 and 2017 in the Hinkle system. Financial information for the two years ended December 31, 2018 and 2017 was filed on October 31, 2019 which was not within the allotted timeframe.
2. For all credit card accounts we obtained a list of all credit card account transactions.
 - a. We selected 3 credit card transactions for testing. For selected transactions we inspected documentation to determine that:
 - i. Each transaction was supported with original invoices and for a proper public purpose.
We found no exceptions.

This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Township's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is to provide assistance in the evaluation of the Township's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2018 and 2017, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

December 2, 2019

OHIO AUDITOR OF STATE KEITH FABER



LIBERTY TOWNSHIP

VAN WERT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 19, 2019**