



OHIO AUDITOR OF STATE
KEITH FABER



LIBERTY TOWNSHIP
GUERNSEY COUNTY
DECEMBER 31, 2017

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Liberty Township
Guernsey County
P.O. Box 22
Kimbolton, Ohio 43749

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statement of the cash balances, receipts and disbursements by fund type, and related notes of Liberty Township, Guernsey County, Ohio (the Township), as of and for the year ended December 31, 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting the financial statement free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement 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 statement is 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 statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

December 17, 2019

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$38,077	\$89,799	\$0	\$0	\$127,876
Charges for Services	0	3,003	0	0	3,003
Licenses, Permits and Fees	523	0	0	0	523
Intergovernmental	12,928	99,575	12,397	0	124,900
Earnings on Investments	10	9	0	0	19
Miscellaneous	1,687	2,129	0	0	3,816
<i>Total Cash Receipts</i>	<u>53,225</u>	<u>194,515</u>	<u>12,397</u>	<u>0</u>	<u>260,137</u>
Cash Disbursements					
Current:					
General Government	45,022	8,732	0	0	53,754
Public Safety	0	37,000	0	0	37,000
Public Works	0	116,481	0	3,031	119,512
Health	0	10,547	0	0	10,547
Debt Service:					
Principal Retirement	0	0	9,100	0	9,100
Interest and Fiscal Charges	0	0	3,297	0	3,297
<i>Total Cash Disbursements</i>	<u>45,022</u>	<u>172,760</u>	<u>12,397</u>	<u>3,031</u>	<u>233,210</u>
<i>Net Change in Fund Cash Balances</i>	8,203	21,755	0	(3,031)	26,927
<i>Fund Cash Balances, January 1</i>	<u>48,819</u>	<u>116,932</u>	<u>16</u>	<u>4,180</u>	<u>169,947</u>
Fund Cash Balances, December 31					
Restricted	0	138,687	16	1,149	139,852
Assigned	57,022	0	0	0	57,022
<i>Fund Cash Balances, December 31</i>	<u>\$57,022</u>	<u>\$138,687</u>	<u>\$16</u>	<u>\$1,149</u>	<u>\$196,874</u>

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

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

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Liberty Township, Tuscarawas County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township also has an elected Township Fiscal Officer. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Liberty Community Volunteer Fire Department to provide fire protection services.

The Township participates in OTARMA public entity risk pool. Note 6 to the financial statement provides additional information for this entity.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Gasoline Tax Fund The Gasoline Tax Fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Fire Levy Fund The Fire Levy fund receives property tax money for providing fire protection.

Debt Service Fund This fund accounts for and reports 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 is used to retire note debt.

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

Issue I Fund This fund receives funding from the Guernsey County Engineer's Office for road repairs.

Liberty Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2017 budgetary activity appears in Note 3.

Fund Balance

Fund balance is divided into four 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:

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.

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 use established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

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

Liberty Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,777	\$53,225	\$12,448
Special Revenue	175,850	194,515	18,665
Debt Service	12,397	12,397	0
Total	\$229,024	\$260,137	\$31,113

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,596	\$45,022	\$44,574
Special Revenue	292,781	172,760	120,021
Debt Service	12,414	12,397	17
Capital Projects	4,181	3,031	1,150
Total	\$398,972	\$233,210	\$165,762

Note 4 – Deposits

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

	2017
Demand deposits	\$196,874

Deposits

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

Note 5 – Property Taxes

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

Note 6 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

Liberty Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 6 – Risk Management (Continued)

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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

2017 Contributions to OTARMA
\$7,446

Liberty Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 6 – Risk Management (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Social Security

Two of the Township's Trustees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	<u>\$85,100</u>	<u>3.50%</u>

The Township issued \$103,000 Township Equipment Bonds, Series 2015, dated June 24, 2015 through USDA Rural Development at 3.5% interest for a period of 10 years to finance the purchase of a new dump truck and mowing equipment for Township road maintenance. The Township's taxing authority collateralized the bonds.

Liberty Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 9 – Debt (Continued)

Amortization

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

Year Ending <u>December 31:</u>	General Obligation Bonds
2018	12,378
2019	12,350
2020	12,410
2021	12,356
2022-2026	<u>49,550</u>
Total	<u><u>\$99,044</u></u>

Note 10 - Subsequent Events

On October 5, 2018, former Fiscal Officer, Kathy Leach, was indicted on five counts of Theft in Office, a felony of the third degree, totaling \$99,715, and one count of Tampering with Records, a felony of the third degree, in Guernsey County Common Pleas Court Case No. 18CR298.

On April 17, 2019, Ms. Leach entered a plea of No Contest to one count of Theft in Office, a felony of the third degree.

On June 5, 2019, Liberty Township received \$85,000 from Ms. Leach's bonding company.

On October 31, 2019, at sentencing for the conviction, Judge Linton D. Lewis, entered an Order of Restitution in the amount of \$14,715 against Ms. Leach and in favor of Liberty Township.

OHIO AUDITOR OF STATE KEITH FABER



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

Liberty Township
Guernsey County
P.O. Box 22
Kimbolton, Ohio 43749

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 statement of Liberty Township, Guernsey County, Ohio (the Township), as of and for the year ended December 31, 2017, and the related notes to the financial statement and have issued our report thereon dated December 17, 2019, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 opinions on the financial statement, 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 and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider Findings 2017-004 and 2017-005 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2017-003 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statement is 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 is described in the accompanying Schedule of Findings as items 2017-001, 2017-002 and 2017-005.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

December 17, 2019

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017**

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

FINDING NUMBER 2017-001

Finding for Recovery – Partially Repaid Under Audit - Kathy Leach

Ohio Rev. Code § 117.28 requires the Auditor of State to issue a finding for recovery when an audit report sets forth that any public money collected has been illegally expended, or that any public money collected has not been accounted for, or that any public money due has not been collected, or that any public property has been converted or misappropriated.

During the period examined, September 1, 2011 through March 31, 2016, the Liberty Township fiscal officer, Kathy Leach was responsible for preparing disbursements and maintaining support for expenditures. Ms. Leach received payments totaling \$7,438 for health insurance reimbursements during the Period. Documentation supporting these payments was only maintained for one of the 11 reimbursements and indicated Ms. Leach was covered by Medical Mutual and Central Reserve insurance companies. We examined her personal bank accounts and could not identify any payments made to either of those insurance companies. In addition, Medical Mutual and Central Reserve each confirmed Ms. Leach did not have insurance coverage during the period she received health insurance reimbursements from the township.

We identified 19 checks totaling \$86,913 to Ms. Leach's husband and her business, Old 21 Roadside Storage. Documentation supporting these payments was not maintained. An investigation conducted by AOS determined the payments were unauthorized and not for township operations. Ms. Leach prepared lists of checks written each month and were provided to the trustees at their township meetings. Ms. Leach would detail what checks were to be paid, and included the check number, vendor name, amount of check, and the township fund the payment would come from. The lists prepared during the Period did not include checks written to Mr. Leach or Old 21 Roadside Storage.

Ms. Leach received payments totaling \$4,607 for reimbursements that were not supported by documentation. Due to the lack of documentation, we were unable to determine whether the expenditures were for purposes related to the township. Notes made on the checks identify the payments to Ms. Leach as being for reimbursements for a printer, office supplies, repairs, filing cabinet, postage, first aid kits, mileage, cassette tapes, batteries, and conference expenses. An investigation conducted by AOS determined the township did not have a printer until after the new fiscal officer took over in April 2016. In addition, we identified a reimbursement to Ms. Leach for conference expenses; however, we identified \$23 of the reimbursement included food purchases for another person not related to the township.

During the Period, Ms. Leach charged \$1,732 for personal or non-Township related transactions on the Township's Staples credit card. Items purchased included gift cards, holiday cards, candy, gift bags, and numerous ink cartridges.

In accordance with the foregoing facts and pursuant to the Ohio Revised Code Section 117.28, a finding for recovery for public property converted or misappropriated is hereby issued in the amount of \$100,713 against Kathy Leach and her bonding company, Travelers Casualty and Surety Company of America; \$39,781 in favor of the Townships general fund, \$8,815 in favor of the motor vehicle fund, \$24,517 in favor of the gas fund, \$9,667 in favor of the cemetery fund and \$17,933 in favor of the road and bridge fund.

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017
(Continued)**

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

FINDING NUMBER 2017-001 (Continued)

Finding for Recovery – Partially Repaid Under Audit - Kathy Leach (Continued)

On June 5, 2019, Liberty Township received \$85,000 from Ms. Leach's bonding company and deposited the payment into the Township's bank account. Accordingly, we will consider this a partial payment; therefore, the remaining unpaid balance totals \$15,713.

On October 5, 2018, Ms. Leach was indicted on five counts of Theft in Office, a felony of the third degree, totaling \$99,715, and one count of Tampering with Records, a felony of the third degree, in Guernsey County Common Pleas Court Case No. 18CR298.

On April 17, 2019, Ms. Leach entered a plea of No Contest to one count of Theft in Office, a felony of the third degree. On October 31, 2019, at sentencing for the conviction, Judge Linton D. Lewis, entered an Order of Restitution in the amount of \$14,715 against Ms. Leach and in favor of Liberty Township.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Payments made to Ms. Leach's husband and her business, Old 21 Roadside Storage, totaling \$86,913, were authorized from the Township by the Township Trustees, Doug Matthews, Robert Kennedy, Randall Douglas, and Gilbert Durben. At times, the Trustees signed blank checks that did not include the vendor name, amount and support for the expenses. Ms. Leach used the signed blank checks to misappropriate Township funds to her husband and business.

Accordingly, these individuals and their bonding company, Ohio Township Association Risk Management Authority, will be jointly and severally liable in the following amounts: Doug Matthews in the amount of \$83,913, Robert Kennedy in the amount of \$86,913, Randall Douglas in the amount of \$51,600, and Gilbert Durben in the amount of \$31,313. On June 5, 2019, Liberty Township received \$85,000 from Ms. Leach's bonding company and deposited the payment into the Township's bank account.

FINDING NUMBER 2017-002

Finding for Recovery – Thomas Braniger

Ohio Rev. Code § 117.28 requires the Auditor of State to issue a finding for recovery when an audit report sets forth that any public money collected has been illegally expended, or that any public money collected has not been accounted for, or that any public money due has not been collected, or that any public property has been converted or misappropriated.

During our examination of disbursements made by the township during the period, township employee, Thomas Braniger received payments totaling \$6,230 for health insurance reimbursements.

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017
(Continued)**

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

FINDING NUMBER 2017-002 (Continued)

Finding for Recovery – Thomas Braniger (Continued)

Documentation supporting the reimbursements was only maintained for five of the 13 reimbursements and indicated Mr. Braniger was covered by Medical Mutual insurance company. However, Medical Mutual confirmed Mr. Braniger did not have insurance coverage during the period he received health reimbursements from the township.

Mr. Braniger provided documents indicating he had health insurance coverage during the period examined through Health Insurance Innovations. We were able to verify Mr. Braniger paid \$2,535 in health insurance during the period. However, Mr. Braniger was overpaid for his health insurance reimbursement totaling \$3,695.

Mr. Braniger received payment totaling \$2,991 for a leave balance payout upon his employment separation from the township. The payment was not properly authorized and documentation was not maintained to support the leave payout was approved by township trustees and available leave balance existed at the time the payout was made. This payment was processed by the township fiscal officer, Kathy Leach.

Mr. Braniger also received payments totaling \$42 for miscellaneous reimbursements. Documentation supporting these payments was not maintained; therefore, we were unable to determine whether the purchases were for township operations. Notes made on the checks identify the payments as being reimbursements to Mr. Braniger for gasoline and supplies.

In accordance with the foregoing facts and pursuant to the Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued in the amount of \$6,728 against Thomas Braniger; \$6,686 in favor of the Townships gas fund and \$42 in favor of the motor vehicle fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Payments made to Mr. Braniger were authorized from the Township by the fiscal officer, Kathy Leach.

Accordingly, Kathy Leach and her bonding company, Travelers Casualty and Surety Company of America, will be jointly and severally liable in the amount of \$6,728; \$6,686 in favor of the Townships gas fund and \$42 in favor of the motor vehicle fund.

LIBERTY TOWNSHIP
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017
(Continued)

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

FINDING NUMBER 2017-003

Significant Deficiency

The Township reconciles the bank statement to the cashbook monthly.

The Township did not consistently prepare monthly bank reconciliations that documented that the bank balance agreed to the monthly cashbook fund posting. Failure to prepare formal monthly bank reconciliations could prevent the detection of errors in a timely manner and causes activity to be recorded in the wrong period.

The Fiscal Officer should prepare monthly bank reconciliations including a detailed listing of reconciling items such as outstanding checks and deposits in transit. These monthly bank reconciliations should be presented to the Board of Trustees for approval at the monthly meetings.

Official's Response: We did not receive a response from Officials to the finding reported above.

FINDING NUMBER 2017-004

Material Weakness

In our audit engagement letter, as required by AU-C § 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C § 210 paragraphs .A14 & .A16.

The Ohio Township Handbook provides suggested account classifications. These accounts classify receipts by fund and source (property taxes or intergovernmental revenue, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example).

Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Township did not always record receipts and disbursements into accurate classifications, or record all such transactions, based upon the source of the receipt or the nature of the disbursement.

Also, the Township did not properly classify its December 31, 2016 governmental fund cash balances in accordance with Governmental Accounting Standards Board (GASB) *Statement Number 54 - Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010.

The following misclassifications were noted for the Township's financial statements ended December 31, 2017:

LIBERTY TOWNSHIP
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017
(Continued)

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

FINDING NUMBER 2017-004 (Continued)

Material Weakness (Continued)

- Receipts posted in the receipt ledger for Special Revenue Funds did not roll up to be classified the same as the 2017 financial statement filed in the Hinkle System. The receipts filed in the Special Revenue Fund for 2017 were misstated by \$12,692 in Property Taxes, \$3,317 in Special Assessments, \$3,003 in Charges for Services, \$9,325 in Intergovernmental and \$3,053 in Miscellaneous.
- Statement No. 54 of the Governmental Standards Board (GASB) defines the reporting of fund balances in the financial statements and was codified: GASB Cod. 1800.168-169 requires reporting funds whose revenue had external legal restrictions as Restricted. The Township improperly reported the Special Revenue Fund balance as unassigned instead of restricted, in the amount of \$138,687.
- Statement No. 54 of the Governmental Standards Board (GASB) defines the reporting of fund balances in the financial statements and was codified: GASB Cod. 1800.176 requires the appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. The Township improperly reported the General Fund balance as unassigned instead of reporting the appropriations in excess of estimated receipts in the General Fund, in the amount of \$57,022, as assigned.

These mispostings were incorrectly reported on the 2017 financial statements prepared by the Township. These errors were due to a lack of management oversight. As a result, these significant reclassifications with which the Township's management agrees were made to the financial statements.

The Fiscal Officer should make sure the financial report prepared by the Township agrees and is supported by the Township accounting records.

Official's Response: We did not receive a response from Officials to the finding reported above.

FINDING NUMBER 2017-005

Noncompliance/Material Weakness

Ohio Admin. Code § 117-2-02(C)(1) provides all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts.

The Township maintained a receipts ledger but it did not include estimated revenue approved by the legislative authority into the receipt ledger. Also, the receipt ledger did not maintain an unrealized budgetary receipt column.

We recommend the Township Fiscal officer maintain budgetary information in the receipt ledger as set forth in Ohio Admin. Code § 117-2-02(C)(1).

Official's Response: We did not receive a response from Officials to the finding reported above.

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LIBERTY TOWNSHIP - GUERNSEY COUNTY

P.O. Box 22
Kimbolton, Ohio 43749

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance and Material Weakness – The Township where records are maintained was broken into and the 2015 accounting records were stolen. The only records provided for the audit was the 2015 minutes.	Corrective action taken and finding is fully corrected.	The Fiscal Officer provided all records need for the 2017 audit.
2016-002	Material Weakness – Multiple expenditures were not posted to the correct line item. The Township improperly reported appropriations in excess of estimated receipts in the General Fund as unassigned instead of assigned.	Not Corrected	Multiple receipts were not posted to the correct line item. Assigned and restricted fund balances were not properly reported.
2016-003	Significant Deficiency – The Township did not consistently prepare monthly bank reconciliations.	Not corrected	The Township did not consistently prepare monthly bank reconciliations.

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OHIO AUDITOR OF STATE KEITH FABER



LIBERTY TOWNSHIP

GUERNSEY 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
JANUARY 7, 2020**