



Mary Taylor, CPA
Auditor of State

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

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Mary Taylor, CPA
Auditor of State

Liberty Township
Guernsey County
71149 Old 21 Road
Kimbolton, Ohio 43749

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 2, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Liberty Township
Guernsey County
71149 Old 21 Road
Kimbolton, Ohio 43749

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Liberty Township, Guernsey County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 2, 2007

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$10,741	\$41,800	\$5,825	\$58,366
Charges for Services		1,350		1,350
Intergovernmental	9,358	115,198	5,825	130,381
Earnings on Investments	337			337
Miscellaneous	265			265
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	20,701	158,348	11,650	190,699
Cash Disbursements:				
Current:				
General Government	57,100			57,100
Public Safety		9,729		9,729
Public Works	2,805	123,185		125,990
Health		4,378		4,378
Capital Outlay		34,331		34,331
Debt Service:				
Redemption of Principal			10,000	10,000
Interest and Other Fiscal Charges			1,650	1,650
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	59,905	171,623	11,650	243,178
Total Cash Receipts Over/(Under) Cash Disbursements	(39,204)	(13,275)	0	(52,479)
Fund Cash Balances, January 1	63,083	107,377	11,951	182,411
Fund Cash Balances, December 31	<u>\$23,879</u>	<u>\$94,102</u>	<u>\$11,951</u>	<u>\$129,932</u>

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

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$10,150	\$39,280	\$6,000	\$55,430
Charges for Services		300		300
Intergovernmental	30,428	226,766	6,000	263,194
Earnings on Investments	354			354
Miscellaneous	32			32
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	40,964	266,346	12,000	319,310
Cash Disbursements:				
Current:				
General Government	34,037			34,037
Public Safety		9,939		9,939
Public Works	636	188,844		189,480
Health	182	5,142		5,324
Capital Outlay		8,197		8,197
Debt Service:				
Redemption of Principal			10,000	10,000
Interest and Other Fiscal Charges			2,200	2,200
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	34,855	212,122	12,200	259,177
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	6,109	54,224	(200)	60,133
Other Financing Receipts:				
Transfers-In	28,809			28,809
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	28,809	0	0	28,809
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	34,918	54,224	(200)	88,942
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	28,165	53,153	12,151	93,469
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$63,083</u>	<u>\$107,377</u>	<u>\$11,951</u>	<u>\$182,411</u>

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

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Fiduciary Fund Type
	Agency
Operating Cash Disbursements:	
General Government	\$2,401
Public Works	1,023
Total Operating Cash Disbursements	3,424
Operating (Loss)	(3,424)
Non-Operating Cash Receipts:	
Intergovernmental	32,233
Total Non-Operating Cash Receipts	32,233
Excess of Receipts Over Disbursements Before Interfund Transfers	28,809
Transfers-Out	(28,809)
Net Receipts Over/(Under) Disbursements	0
Fund Cash Balance, January 1	0
Fund Cash Balance, December 31	\$0

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
DECEMBER 31, 2006 AND 2005**

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, Guernsey County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection services. The Township contracts with the Liberty Community Fire Department to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

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

C. 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

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

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Federal Emergency Management Agency Fund - This fund receives agency grants to fund repair and replacement of various Township fixed assets damaged by land slides and flooding.

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Note Retirement Fund - This fund receives property and gasoline tax money for the retirement of outstanding note debt to finance the purchase of a road grader.

4. Fiduciary Funds

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounted for the surrender of corporate powers for the Village of Kimbolton.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

E. 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.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Cash

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

	2005	2006
Demand deposits	\$182,411	\$129,932

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005, follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$18,705	\$20,701	\$1,996
Special Revenue	129,582	158,348	28,766
Debt Service	11,650	11,650	0
Total	\$159,937	\$190,699	\$30,762

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$81,789	\$59,905	\$21,884
Special Revenue	236,959	171,623	65,336
Debt Service	23,601	11,650	11,951
Total	<u>\$342,349</u>	<u>\$243,178</u>	<u>\$99,171</u>

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,298	\$69,773	\$22,475
Special Revenue	236,959	266,346	29,387
Debt Service	12,000	12,000	0
Total	<u>\$296,257</u>	<u>\$348,119</u>	<u>\$51,862</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,655	\$34,855	\$11,800
Special Revenue	290,179	212,122	78,057
Debt Service	24,151	12,200	11,951
Total	<u>\$360,985</u>	<u>\$259,177</u>	<u>\$101,808</u>

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.

Public utilities are also taxed on personal and real property located within the Township.

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

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

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. Debt

Debt outstanding at December 31, 2006, was as follows:

	Principal	Interest Rate
General Obligation Notes	\$20,000	5.50%

The Township issued general obligation notes to finance the purchase of a road grader to be used for Township road maintenance. The Township's taxing authority collateralized the notes.

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

	General Obligation Notes
Year ending December 31:	
2007	\$11,100
2008	10,550
Total	\$21,650

6. Retirement Systems

Some Township elected officials and all 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

Two Township elected officials contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2006 and 2005, officials contributed 6.2 percent of their gross salaries. The Township contributed an amount equaling 6.2 percent of participant's gross salaries. The Township has paid all contributions required through December 31, 2006.

7. Risk Management

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

The Township insures against property damage to its garage through the Eastern Ohio Mutual Fire and Tornado Insurance Company.

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

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. Risk Management (Continued)

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2006 and 2005:

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. Risk Management (Continued)

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$10,546. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Contributions to OTARMA</u>	
2004	\$3,884
2005	\$5,160
2006	\$5,273

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

8. 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.



Mary Taylor, CPA

Auditor of State

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

Liberty Township
Guernsey County
71149 Old 21 Road
Kimbolton, Ohio 43749

To the Board of Trustees:

We have audited the financial statements of Liberty Township, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 2, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated November 2, 2007.

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, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 2, 2007.

We intend this report solely for the information and use of management and the Township Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 2, 2007

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Noncompliance and Significant Deficiency

Ohio Admin. Code Section 117-2-02(A) requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Per Ohio Admin. Code Section 117-2-02(D), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
3. Appropriation ledger, which may assemble and classify disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations, and any other information required may be entered in the appropriate columns.

The Ohio Township Handbook (revised December 2006) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, 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 Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

During 2006 and 2005, Township receipts were not always posted into accurate receipt classifications, based upon the source of the receipt. For example, public utility deregulation reimbursement monies in the amount of \$2,338 received in 2006 and 2005 were posted as property and other local taxes instead of intergovernmental receipts. Also, in 2005 estate tax monies received in the general fund in the amount of \$21,281 were posted as property and other local taxes instead of intergovernmental receipts.

Also, during 2006 and 2005, property tax settlements were posted in the net settlement amount, rather than the gross settlement amount and posting associated deductions as disbursements in the amounts of \$1,759 and \$193, respectively.

Transactions posted to the receipts and appropriations ledgers did not always agree to transactions posted in the Township cashbook.

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2006-001
(Continued)**

Noncompliance and Significant Deficiency (Continued)

To help ensure accurate financial reporting, we recommend the Township utilize available authoritative resources to appropriately classify receipt transactions; post tax settlements in the gross settlement amount and post associated deductions as disbursements; and when posting a receipt and disbursement transaction to the receipts and/or appropriations ledgers verify these transactions are also in agreement to postings in the cashbook.

FINDING NUMBER 2006-002

Noncompliance and Significant Deficiency

Ohio Admin. Code Section 117-2-02(C)(1) requires the government's internal controls to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts.

In 2006 and 2005, the Township Fiscal Officer did not post budgeted receipts per the Official Certificate of Estimated Resources to the receipts ledger.

Also, variances existed between Board approved appropriations and appropriations posted to the appropriations ledger. The following details these variances:

December 31, 2006:

Fund	Approved Appropriation measure, including supplemental appropriations	Appropriations per appropriations ledger	Variance
General	\$81,789	\$64,000	\$17,789
Motor Vehicle License Tax	20,133	18,133	2,000
Gasoline Tax	119,735	118,735	1,000
Road and Bridge	43,505	32,950	10,555
Cemetery	4,941	5,441	(500)
Permissive Motor Vehicle License Tax	3,057	3,157	(100)

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2006-002
(Continued)**

Noncompliance and Significant Deficiency (Continued)

December 31, 2005:

Fund	Approved Appropriation measure, including supplemental appropriations	Appropriations per appropriations ledger	Variance
General	\$46,655	\$53,303	(\$6,648)
Gasoline Tax	106,774	88,274	18,500
Road and Bridge	37,262	63,482	(26,220)
Issue II	9,857	12,607	(2,750)

Because the information entered into the appropriation and receipts ledgers was inaccurate, Township management was unable to effectively monitor budgetary activity throughout the year.

We recommend the Township Fiscal Officer record estimated receipts from the Certificate of Estimated Resources and any amendments thereto and record only authorized appropriations and any amendments thereto. The accompanying budgetary presentation in Note 3 to the financial statements includes budgeted receipts certified by the County Auditor and appropriations authorized by the Township Trustees.

FINDING NUMBER 2006-003

Noncompliance and Significant Deficiency

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code:

Then and Now Certificate – If the fiscal officer can certify that both at the time that the contract or order was made and at the time that the fiscal officer is completing the certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of such certificate to approve payment by ordinance or resolution.

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

**FINDING NUMBER 2006-003
(Continued)**

Noncompliance and Significant Deficiency (Continued)

Amounts of less than \$3,000, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

Blanket Certificate – Fiscal officers may prepare so-called “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. No more than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Although the obligations paid by the Township had a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of an appropriate fund, and free from any previous encumbrance, this certification of available funds was not obtained prior to incurring the obligation for 49% and 52% of transactions tested in 2006 and 2005, respectively, and there was no evidence of a “Then and Now” certificate being utilized. Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the Township Fiscal Officer certify that funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Township Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Township Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials’ Responses: We did not receive any responses from Officials to the findings reported above.



Mary Taylor, CPA
Auditor of State

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
DECEMBER 4, 2007