

LIBERTY TOWNSHIP
UNION COUNTY, OHIO

FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

WOLF, ROGERS, DICKEY & CO.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Township Trustees
Liberty Township
21840 Herd McIlroy Road
Raymond, Ohio 43067

We have reviewed the *Independent Auditors' Report* of Liberty Township, Union County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Liberty Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 28, 2011

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**Liberty Township
Union County, Ohio**

**For the Years Ended
December 31, 2010 and 2009**

Table of Contents

| | |
|---|-------|
| Independent Auditors' Report | 1-2 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2010 | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2009 | 4 |
| Notes to the Financial Statements | 5-11 |
| Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 12-13 |
| Schedule of Findings | 14-17 |
| Schedule of Prior Audit Findings | 18 |

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Independent Auditors' Report

Liberty Township
Union County, Ohio

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Union County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009. 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 that 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 of Ohio 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 require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State of Ohio 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, 2010 and 2009 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, 2010 and 2009, 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 and reserves for encumbrances of Liberty Township, Union County, Ohio as of December 31, 2010 and 2009, 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 June 8, 2011, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, 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* and should be read in conjunction with this report in assessing the results of our audit.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

June 8, 2011

**Liberty Township
Union County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2010**

| | <u>Governmental Funds</u> | | | | <u>Totals</u> |
|--|---------------------------|----------------------------|-------------------------|-----------------------------|------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>(Memorandum Only)</u> |
| Cash receipts: | | | | | |
| Property and other local taxes | \$ 89,615 | 367,781 | - | - | 457,396 |
| Charges for service | - | 320,089 | - | - | 320,089 |
| Licenses, permits and fees | 1,335 | 5,526 | - | - | 6,861 |
| Fines and forfeitures | 5,444 | - | - | - | 5,444 |
| Intergovernmental | 127,802 | 239,520 | - | - | 367,322 |
| Special assessments | - | 5,726 | - | - | 5,726 |
| Earnings on investments | 4,638 | 316 | - | - | 4,954 |
| Miscellaneous | <u>88,201</u> | <u>21,843</u> | <u>-</u> | <u>-</u> | <u>110,044</u> |
| Total cash receipts | 317,035 | 960,801 | - | - | 1,277,836 |
| Cash disbursements: | | | | | |
| Current: | | | | | |
| General government | 146,631 | 5,021 | - | - | 151,652 |
| Public safety | 1,147 | 531,138 | - | - | 532,285 |
| Public works | 26,223 | 103,475 | - | - | 129,698 |
| Health | 2,856 | 1,694 | - | - | 4,550 |
| Conservation/Recreation | 307 | - | - | - | 307 |
| Capital outlay | <u>56,430</u> | <u>84,009</u> | <u>-</u> | <u>2,262</u> | <u>142,701</u> |
| Total cash disbursements | <u>233,594</u> | <u>725,337</u> | <u>-</u> | <u>2,262</u> | <u>961,193</u> |
| Excess of receipts over (under) disbursements | 83,441 | 235,464 | - | (2,262) | 316,643 |
| Fund cash balances, January 1 | <u>488,918</u> | <u>940,740</u> | <u>84</u> | <u>6,315</u> | <u>1,436,057</u> |
| Fund cash balances, December 31 | \$ <u>572,359</u> | <u>1,176,204</u> | <u>84</u> | <u>4,053</u> | <u>1,752,700</u> |
| Reserves for encumbrances | \$ <u>2,247</u> | <u>6,048</u> | <u>-</u> | <u>-</u> | <u>8,295</u> |

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

**Liberty Township
Union County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2009**

| | <u>Governmental Funds</u> | | | | <u>Totals (Memorandum Only)</u> |
|--|---------------------------|----------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash receipts: | | | | | |
| Property and other local taxes | \$ 96,668 | 395,628 | - | - | 492,296 |
| Charges for service | - | 337,608 | - | - | 337,608 |
| Licenses, permits and fees | 1,105 | 5,909 | - | - | 7,014 |
| Fines and forfeitures | 4,757 | - | - | - | 4,757 |
| Intergovernmental | 99,793 | 327,828 | - | - | 427,621 |
| Special assessments | - | 4,845 | - | - | 4,845 |
| Earnings on investments | 19,841 | 501 | - | - | 20,342 |
| Miscellaneous | <u>9,239</u> | <u>61,148</u> | <u>-</u> | <u>-</u> | <u>70,387</u> |
| Total cash receipts | 231,403 | 1,133,467 | - | - | 1,364,870 |
| Cash disbursements: | | | | | |
| Current: | | | | | |
| General government | 155,648 | 3,199 | - | - | 158,847 |
| Public safety | 58 | 540,244 | - | - | 540,302 |
| Public works | 18,001 | 91,137 | - | - | 109,138 |
| Health | 300 | 1,609 | - | - | 1,909 |
| Capital outlay | <u>13,099</u> | <u>602,258</u> | <u>-</u> | <u>1,515</u> | <u>616,872</u> |
| Total cash disbursements | <u>187,106</u> | <u>1,238,447</u> | <u>-</u> | <u>1,515</u> | <u>1,427,068</u> |
| Excess of receipts over (under) disbursements | 44,297 | (104,980) | - | (1,515) | (62,198) |
| Fund cash balances, January 1 | <u>444,621</u> | <u>1,045,720</u> | <u>84</u> | <u>7,830</u> | <u>1,498,255</u> |
| Fund cash balances, December 31 | \$ <u>488,918</u> | <u>940,740</u> | <u>84</u> | <u>6,315</u> | <u>1,436,057</u> |
| Reserves for encumbrances | \$ <u>626</u> | <u>16,391</u> | <u>-</u> | <u>-</u> | <u>17,017</u> |

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

**Liberty Township
Union County, Ohio
Notes to the Financial Statements
December 31, 2010 and 2009**

(1) Summary of Significant Accounting Policies

Description of the Entity

Liberty Township, Union County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, zoning operations, cemetery maintenance and fire protection. The Township contracts with the Union County Sheriff's office for a public safety officer.

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

Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State of Ohio.

Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposits are valued at cost. The State Treasury Asset Reserve (STAR) Ohio investment is recorded at share value.

Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Liberty Township
Union County, Ohio
Notes to the Financial Statements, continued
December 31, 2010 and 2009**

(1) Summary of Significant Accounting Policies, continued

Special Revenue Funds

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

Motor Vehicle License Tax Fund – This fund receives vehicle registration tax money.

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

Special Levy Fund (Fire) – This fund receives fire levy tax money for the funding of fire and EMS services provided to the residents of the Township.

Special Assessment Fund – This fund receives special assessment taxes for street lighting.

Debt Service Fund

This fund is used to accumulate resources for the payment of note indebtedness.

Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except for those financed through enterprise or trust funds).

Budgetary Process

The Ohio Revised Code (ORC) requires each fund to be budgeted annually.

Appropriations

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

**Liberty Township
Union County, Ohio
Notes to the Financial Statements, continued
December 31, 2010 and 2009**

(1) Summary of Significant Accounting Policies, continued

Budgetary Process, continued

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.

Encumbrances

The ORC requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

(2) Equity in Pooled Cash and Investments

The Township maintains a cash and investment pool used by all funds. The ORC prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

| | <u>2010</u> | <u>2009</u> |
|--------------------------------|---------------------|------------------|
| Demand deposits | \$ 244,257 | 428,137 |
| Certificates of deposit | 1,100,000 | 599,912 |
| STAR Ohio | <u>408,443</u> | <u>408,008</u> |
| Total deposits and investments | \$ <u>1,752,700</u> | <u>1,436,057</u> |

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool. The Township has invested funds in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within Ohio to pool their funds for investment purposes.

(3) Budgetary Activity

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

Liberty Township
Union County, Ohio
Notes to the Financial Statements, continued
December 31, 2010 and 2009

(3) Budgetary Activity, continued

2010 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|------------------------------|----------------------------|------------------|
| General | \$ 303,070 | 317,035 | 13,965 |
| Special Revenue | <u>1,124,062</u> | <u>960,801</u> | <u>(163,261)</u> |
| Total | \$ <u>1,427,132</u> | <u>1,277,836</u> | <u>(149,296)</u> |

2010 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------------|-----------------------------------|------------------|
| General | \$ 815,140 | 235,841 | 579,299 |
| Special Revenue | 2,029,499 | 731,385 | 1,298,114 |
| Capital Projects | 6,443 | 2,262 | 4,181 |
| Debt Service | <u>85</u> | <u>-</u> | <u>85</u> |
| Total | \$ <u>2,851,167</u> | <u>969,488</u> | <u>1,881,679</u> |

2009 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|------------------------------|----------------------------|-----------------|
| General | \$ 226,322 | 231,403 | 5,081 |
| Special Revenue | <u>1,170,310</u> | <u>1,133,467</u> | <u>(36,843)</u> |
| Total | \$ <u>1,396,632</u> | <u>1,364,870</u> | <u>(31,762)</u> |

2009 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------------|-----------------------------------|------------------|
| General | \$ 643,798 | 187,732 | 456,066 |
| Special Revenue | 2,107,311 | 1,254,838 | 852,473 |
| Capital Projects | 7,958 | 1,515 | 6,443 |
| Debt Service | <u>85</u> | <u>-</u> | <u>85</u> |
| Total | \$ <u>2,759,152</u> | <u>1,444,085</u> | <u>1,315,067</u> |

**Liberty Township
Union County, Ohio
Notes to the Financial Statements, continued
December 31, 2010 and 2009**

(4) Property Tax

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

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

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

(5) Retirement Systems

The Township's certified firefighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multiple-employer plans. The ORC prescribes these plans' benefits, which include postretirement healthcare, survivor and disability benefits.

The ORC also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages and the Township contributed 24% of full-time firefighters' wages. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

(6) Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The Township has contracted with the following for various types of insurance coverage:

| | | |
|------|----------------------|-------------|
| VFIS | Commerical Property | \$1,641,184 |
| | Commerical Liability | 12,510,000 |
| | Business Auto | 8,000,000 |

**Liberty Township
Union County, Ohio
Notes to the Financial Statements, continued
December 31, 2010 and 2009**

(7) Commitments

The Township is committed to a one-year contract with Taylor Township, Union County, Ohio to provide them with fire and EMS services commencing on March 1, 2010 for \$160,462. The Township is also committed to a five year contract with York Township, Union County, Ohio to provide them with fire and EMS services commencing on January 1, 2009 for \$105,380.

On February 1, 2007 the Township entered into a five year lease with the United States Postal Service (USPS) leasing a portion of the Township building to USPS. The annual rent income is \$5,100.

Pursuant to a five year contract that commenced on February 1, 2010 between the Union County Sheriff and Liberty and Taylor Townships, the sheriff provides one full-time deputy with a normal work week totaling 40 hours exclusively to the Townships to supplement existing law enforcement coverage. The sheriff assumes full responsibility for hiring, training, assignment, supervision, discipline and dismissal of all assigned personnel and the Townships pay the actual cost of compensating the officers' salary, overtime, OPERS benefits, workers compensation, Medicare and medical and life insurance. The Sheriff bills the Township in quarterly installments with each Township paying 50% of the cost. The Township paid \$19,497 and \$28,063 pursuant to this contract in 2010 and 2009, respectively. The amount that will be due for 2011 is undetermined at this time.

(8) Contributions

In 2009 the Township received the cash, real estate and personal property of the Keckley Rural Life Center as a contribution. There was no value assigned to the real estate and personal property. Cash received amounted to \$80,918 and has been recorded in the financial statements. The Township is committed to operate the facility to provide and maintain for recreational, educational and character building activities.

(9) Compliance

Contrary to Ohio law:

- The Township did not encumber for contracts that extended beyond the end of 2010 and 2009.
- Material reclassifications to the financial statements were necessary in order for them to be fairly stated.
- A reduced amended Certificate of Estimated Resources was not obtained from the budget commission when actual receipts to be collected fell short of estimates for 2010 and 2009. Actual available resources were below the current level of appropriation for the General Fund by \$9,187, the Motor Vehicles License Tax Fund by \$4,152, the Cemetery Fund by \$1,174, and the Fire District Fund by \$153,609 in 2010. In 2009, the actual available resources were below the current level of appropriations for the Gasoline Tax Fund by \$3,931, the Motor Vehicle License Tax Fund by \$418, Cemetery Fund by \$961 and Special Assessment by \$165.

**Liberty Township
Union County, Ohio
Notes to the Financial Statements, continued
December 31, 2010 and 2009**

(9) Compliance, continued

- An audit adjustment from 2008 was recorded incorrectly.
 - Total appropriations exceeded estimated resources for the General Fund by \$23,152 and the Road and Bridge Fund by \$216 in 2010. Total appropriations exceeded estimated resources for the Capital Projects Fund by \$128 in 2010 and 2009.
 - Funds were not encumbered for all disbursements.
- (10) Subsequent events have been evaluated through June 8, 2011, which is the date the financial statements were available to be issued.

Wolf, Rogers, Dickey & Co.

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**Independent Auditors' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters,
Based On An Audit Of Financial Statements
Performed In Accordance With *Government Auditing Standards***

Liberty Township
Union County, Ohio

To the Board of Trustees:

We have audited the financial statements of Liberty Township, Union County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 8, 2011, wherein we noted the Township followed accounting practices the Auditor of State of Ohio 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion 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. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected in a timely manner. We consider Finding 2010-01, 2010-04 and 2010-06 as described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2010-02 and 2010-03 described in the accompanying Schedule of Findings to be significant deficiencies.

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 such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as Findings 2010-01, 2010-02, 2010-03, 2010-05 and 2010-06.

We noted certain noncompliance or other matters not requiring inclusion in this report that we reported to management of the Township in a separate letter dated June 8, 2011.

The Township's response to the findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

June 8, 2011

**Liberty Township
Union County, Ohio
Schedule of Findings
December 31, 2010 and 2009**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2010-01
Noncompliance/Material weakness

The Ohio Township Handbook Chart of Accounts appendix details the revenue and expenditure codes, name of source information, and a brief description of the type of revenue or expenditure that relates to the codes.

We noted the following errors in the Township prepared financial statements that required reclassification:

- In 2010 in the Special Revenue Fund, \$3,230 was reclassified from Other Financial Sources to Special Assessments. In 2009 in the General Fund, \$4,757 was reclassified from Licenses, Permits and Fees to Fines and Forfeitures.
- In both years in the Special Revenue Fund grants from the Department of Homeland Security were reclassified from Miscellaneous to Intergovernmental. The amounts totaled \$45,308 and \$105,241 for 2010 and 2009, respectively.
- In 2009, Rollback/homestead exemption receipts from the State of Ohio were recorded entirely to General Fund Local Taxes. The total amount of \$17,776 was reclassified to Intergovernmental Revenue and allocated between the General Fund and the Special Revenue Fund.
- In 2010 in the Special Revenue Fund, \$35,053 was reclassified from Public Safety to Capital Outlay. In 2009 in the General Fund, \$10,606 was reclassified from Human Services to Public Works.
- In 2009 an adjusting entry proposed from the 2008 audit was incorrectly recorded entirely in the Special Revenue Fund. The entry was to be reclassified from Special Revenue Public Works to General Fund Public Safety. The amount to be reclassified was \$8,423.

These adjustments are reflected in the audited financial statements. Although the misclassifications have been corrected under audit, annual financial statements available to the public until such time as the audit was completed were inaccurate.

Response by Township

Item #1. The reclassification of license, permits & fees were done after the 2008 audit was completed in 2009. Therefore, I don't think it should be listed as a weakness for this audit period.

Item #3. I believe the check I received stated on it this was for general fund.

Item #4. I believe this is a matter of opinion and that I was correct in my use of these accounts.

Item #5. I must have misunderstood the entry given to me by the audit staff or by UAN staff when I called for guidance to make the correction.

**Liberty Township
Union County, Ohio
Schedule of Findings, continued
December 31, 2010 and 2009**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2010-02
Noncompliance/Significant deficiency

Ohio Revised Code (ORC) Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated resources available (cash available at the beginning of the year plus estimated receipts). In 2010, appropriations exceeded estimated resources by \$23,152 in the General Fund, by \$216 in the Fire District Fund and by \$128 in the Capital Projects Fund. In 2009, appropriations exceeded estimated resources by \$128 in the Capital Projects Fund.

Response by Township

Unsure where you got these figures from. I attached copies of 2010 “certificate of estimated resources” and “appropriation status report” to correspondence with the auditors, which shows the appropriations equal the estimated resources.

Finding Number 2010-03
Noncompliance/Significant deficiency

ORC Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury when such contract or order is made.

ORC Section 5705.41 also provides that if no certificate was furnished at the time that the contract was entered into, the fiscal officer may prepare a Then and Now Certificate stating (1) that there was at the time of the making of the contract and (2) at the time of the execution of this certificate a sufficient sum appropriated for the purpose of the contract in question in the treasury or in process of collection to the credit of the appropriate fund, free from previous encumbrances. During our testing of disbursements, we noted that funds were not encumbered prior to expenditure for four of the twenty-nine disbursements tested and Then and Now Certificates were not prepared.

Response by Township

I disagree with this finding. Either regular or then and now purchase orders were issued for all disbursements. It is my understanding funds become “encumbered” when the purchase order is issued.

**Liberty Township
Union County, Ohio
Schedule of Findings, continued
December 31, 2010 and 2009**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2010-04
Material weakness

In 2010 and 2009, budgeted receipts entered into the Uniform Accounting Network (UAN) did not agree to the final Certificate of Estimated Resources (the Certificate) as follows:

- General Fund – Budgeted receipts in UAN were less than the Certificate by \$35,502 in 2009.
- Special Revenue Fund – Budgeted receipts in UAN were less than the Certificate by \$12,002, in the Lighting Assessment Tax in 2010 and by \$100,000 in the Fire Fund in 2009.

In 2010, budgeted appropriations entered into UAN did not agree to the annual appropriation measure as follows:

- Special Revenue Fund – Budgeted appropriations entered into UAN were less than the annual appropriation measure by \$6,162 in 2010 in the FEMA Fund.

Response by Township

Item #3. This is the first time we have ever received any FEMA funds. I was first told to set up an account under FEMA as they were Federal funds. I was later told, because the funds came through Ohio FEMA agency they needed to be changed to another account under the Fire department, as that was their intended use. I attached a letter to the County Auditor to correspondence with the auditors.

Finding Number 2010-05
Noncompliance

ORC Section 5705.36 states:

- (1) That an increased amended Certificate of Estimated Resources must be obtained from the Budget Commission if the legislative authority intends to appropriate and expend revenue in excess of the estimated resources.
- (2) A reduced amended Certificate of Estimated Resources must be obtained if the amount of the deficiency will reduce the available resources below the current level of appropriations.

**Liberty Township
Union County, Ohio
Schedule of Findings, continued
December 31, 2010 and 2009**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2010-05, continued
Noncompliance

In 2010, appropriations exceeded available resources by \$9,187 in the General Fund, by \$259 in the Motor Vehicle License Tax Fund, by \$1,174 in the Cemetery Fund, by \$153,609 in the Fire District Fund and by \$11,086 in the Special Assessment Fund. In 2009, appropriations exceeded available resources by \$418 in the Motor Vehicle License Tax Fund, by \$3,931 in the Gasoline Tax Fund, by \$165 in the Special Assessment Fund and by \$91 in the Cemetery Fund. These deficits were caused by actual receipts falling below budgeted receipts. We recognize that the Township did not spend all appropriations and actual expenses did not exceed available resources, but ORC Section 5705.36 still requires an amended Certificate of Estimated Resources to reflect the reduced receipts. Additionally, the Township should have reduced the appropriations below the estimated resources.

Response by Township

Over the past few years we have been fortunate in getting grants to help replace equipment and other things. In 2010 these amounts fell off drastically. I did fail to follow up with amending the Certificates. In 2009 the amounts, as you show, were only minimal.

Finding Number 2010-06
Noncompliance/Material weakness

ORC Section 5705.44 states that for contracts extending beyond the fiscal year end, the fiscal officer of the taxing authority shall make a certification for the amount required to meet the obligation of such contract maturing in a subsequent fiscal year. The amount of the unfilled obligation under such contract shall be included in the annual appropriation measure for the next year as a fixed charge. We identified two contract payments for \$16,782 and \$8,060 extending beyond the 2010 and 2009 year ends, respectively, that were not encumbered. These encumbrances are reflected in the audited financial statements.

Response by Township

Since we operate under and accepted "cash" basis, these contracts have been on going for several years, and it has never been a noncompliance issue in past audits; I question now why it is a material weakness.

**Liberty Township
Union County, Ohio
Schedule of Prior Audit Findings
December 31, 2010 and 2009**

| <u>Finding Number</u> | <u>Finding Summary</u> | <u>Fully Corrected?</u> | <u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain:</u> |
|---------------------------|---|-----------------------------|--|
| 2008-01 | Significant adjustments to the financial statements were required | No | Repeat as Finding 2010-01. |
| 2008-02 | Funds not always encumbered prior to expenditure | No | Repeat as Finding 2010-03. |



Dave Yost • Auditor of State

LIBERTY TOWNSHIP

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 10, 2011