



Dave Yost • Auditor of State



LIBERTY TOWNSHIP  
HENRY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings .....	17
Schedule of Prior Audit Findings .....	21

**This page intentionally left blank.**



# Dave Yost • Auditor of State

Liberty Township  
Henry County  
S-395 County Road 9  
Liberty Center, Ohio 43532-9709

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.

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

**Dave Yost**  
Auditor of State

November 21, 2011

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Liberty Township  
Henry County  
S-395 County Road 9  
Liberty Center, Ohio 43532-9709

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Henry 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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, 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 of Liberty Township, Henry 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 November 21, 2011, 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.



**Dave Yost**  
Auditor of State

November 21, 2011

**LIBERTY TOWNSHIP  
HENRY COUNTY**

**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 Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$27,756	\$59,970	\$54,080	\$141,806
Charges for Services		45,975		45,975
Licenses, Permits, and Fees	25,464	930		26,394
Intergovernmental	149,612	265,293	6,662	421,567
Earnings on Investments	3,487	1,175	82	4,744
Miscellaneous	1,646	28,722		30,368
	<u>207,965</u>	<u>402,065</u>	<u>60,824</u>	<u>670,854</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	87,076	14,612	1,528	103,216
Public Safety		147,265		147,265
Public Works	2,000	69,706		71,706
Health		6,131		6,131
Conservation - Recreation	206	6,220		6,426
Capital Outlay	1,350	18,122		19,472
Debt Service:				
Redemption of Principal		53,858	40,410	94,268
Interest and Other Fiscal Charges		6,916	17,687	24,603
	<u>90,632</u>	<u>322,830</u>	<u>59,625</u>	<u>473,087</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over Disbursements</b>	<u>117,333</u>	<u>79,235</u>	<u>1,199</u>	<u>197,767</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In		15,300		15,300
Transfers-Out	(15,300)			(15,300)
Other Financing Sources		38		38
	<u>(15,300)</u>	<u>15,338</u>		<u>38</u>
<b>Total Other Financing Receipts / (Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements</b>	102,033	94,573	1,199	197,805
<b>Fund Cash Balances, January 1</b>	<u>159,539</u>	<u>339,341</u>	<u>5,699</u>	<u>504,579</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$261,572</u></u>	<u><u>\$433,914</u></u>	<u><u>\$6,898</u></u>	<u><u>\$702,384</u></u>

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

**LIBERTY TOWNSHIP  
HENRY COUNTY**

**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 Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$27,559	\$66,202	\$53,687		\$147,448
Charges for Services		62,842			62,842
Licenses, Permits, and Fees	24,775	2,380			27,155
Intergovernmental	149,385	212,735	6,943		369,063
Earnings on Investments	3,213	1,602	277		5,092
Miscellaneous	545	5,745			6,290
	<u>205,477</u>	<u>351,506</u>	<u>60,907</u>		<u>617,890</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	90,564	14,463	1,653		106,680
Public Safety		116,968			116,968
Public Works	2,000	117,752			119,752
Health		5,394			5,394
Conservation - Recreation		6,369			6,369
Capital Outlay		36,658		\$1,000	37,658
Debt Service:					
Redemption of Principal		40,185	47,493		87,678
Interest and Other Fiscal Charges		7,549	20,160		27,709
	<u>92,564</u>	<u>345,338</u>	<u>69,306</u>	<u>1,000</u>	<u>508,208</u>
Total Receipts Over/(Under) Disbursements	<u>112,913</u>	<u>6,168</u>	<u>(8,399)</u>	<u>(1,000)</u>	<u>109,682</u>
<b>Other Financing (Disbursements):</b>					
Transfers-In		42,000		1,000	43,000
Transfers-Out	(43,000)				(43,000)
Other Financing Sources		43			43
Other Financing Uses	(25)	(500)			(525)
	<u>(43,025)</u>	<u>41,543</u>		<u>\$1,000</u>	<u>(482)</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	69,888	47,711	(8,399)		109,200
Fund Cash Balances, January 1	<u>89,651</u>	<u>291,630</u>	<u>14,098</u>		<u>395,379</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$159,539</b></u>	<u><b>\$339,341</b></u>	<u><b>\$5,699</b></u>		<u><b>\$504,579</b></u>

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

**LIBERTY TOWNSHIP  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Liberty Township, Henry County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

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

The Township values certificates of deposit at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are 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 for constructing, maintaining, and repairing Township roads.

**LIBERTY TOWNSHIP  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

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

**3. Debt Service Funds**

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

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

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Miscellaneous Capital Projects Fund – This fund is used to pay for Township capital improvements.

**E. Budgetary Process**

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

**1. Appropriations**

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

**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 2010 and 2009 budgetary activity appears in Note 3.

**LIBERTY TOWNSHIP  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. 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.

**2. Equity in Pooled Deposits**

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

	2010	2009
Demand deposits	\$402,384	\$204,579
Certificates of deposit	300,000	300,000
Total deposits	\$702,384	\$504,579

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

**3. Budgetary Activity**

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

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$100,644	\$207,965	\$107,321
Special Revenue	394,460	417,403	22,943
Debt Service	62,268	60,824	(1,444)
Capital Projects	750		(750)
Total	\$558,122	\$686,192	\$128,070

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,444	\$105,932	(\$16,488)
Special Revenue	329,239	322,830	6,409
Debt Service	59,625	59,625	
Total	\$478,308	\$488,387	(\$10,079)

**LIBERTY TOWNSHIP  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity (Continued)**

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$167,516	\$205,477	\$37,961
Special Revenue	385,568	393,549	7,981
Debt Service	63,364	69,907	6,543
Capital Projects	6,100	1,000	(5,100)
Total	\$622,548	\$669,933	\$47,385

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$122,790	\$135,589	(\$12,799)
Special Revenue	383,935	345,838	38,097
Debt Service	69,653	69,306	347
Capital Projects	1,000	1,000	
Total	\$577,378	\$551,733	\$25,645

The following occurred contrary to Ohio law:

Trustee salaries were allocated to the Gasoline Tax Fund \$8,702 in 2009 and \$9,996 in 2010 and the Fire District Fund \$8,872 in 2009 and \$9,872 in 2010 without documentation.

Health insurance reimbursements were allocated to the Gasoline Tax Fund \$3,628 and Fire District Fund \$2,783.

A portion of the salary of the Fiscal Officer was allocated to the Fire District Fund \$684 in 2009 and \$4,244 in 2010.

In 2010, expenditures exceeded appropriations in the General Fund by \$16,488 and the Fire District Fund by \$10,656 and in 2009 expenditures exceeded appropriations by \$12,799 in the General Fund.

**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.

**LIBERTY TOWNSHIP  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. Property Tax (Continued)**

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

**5. Debt**

Debt outstanding at December 31, 2010 was as follows:

<u>Principal</u>	<u>Interest Rate</u>
\$120,380	4.1%
290,960	5.5%
<u>\$411,340</u>	

The Township entered into a promissory note agreement with the Henry County Bank in August 2006 to purchase a fire truck. The note is secured by the asset purchased.

Township entered into a promissory note agreement with Henry County Bank in February 2003 to finance the construction of a fire station. The Township's taxing authority collateralized the promissory note.

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

	<u>Promissory Note - Fire Truck</u>	<u>Promissory Note - Fire Station</u>
Year ending December 31:		
2011	\$47,733	\$67,653
2012	47,733	67,653
2013	31,823	67,653
2014		67,653
2015		53,269
Total	<u>\$127,289</u>	<u>\$323,881</u>

**6. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, 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, 2010.

**LIBERTY TOWNSHIP  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. Risk Management**

Prior to 2009, the Government belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township does not participate in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Township does not participate in this coverage.

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

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

**LIBERTY TOWNSHIP  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. Risk Management (Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 the latest information available, and include amounts for both OPRM and OPHC:

	<b>2010</b>		<b>2009</b>	
	<u><b>OPRM</b></u>	<u><b>OPHC</b></u>	<u><b>OPRM</b></u>	<u><b>OPHC</b></u>
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	<u>(4,845,056)</u>	<u>(1,055,096)</u>	<u>(4,852,485)</u>	<u>(1,253,617)</u>
Members Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**8. Wastewater Discharge Assessment Agreement**

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

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

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

**This page intentionally left blank.**



# Dave Yost • 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  
Henry County  
S-395 County Road 9  
Liberty Center, Ohio 43532-9709

To the Board of Trustees:

We have audited the financial statements of Liberty Township, Henry County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated November 21, 2011 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 also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to 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 material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001 through 2010-003 described in the accompanying schedule of findings to be material weaknesses.

### **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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001, 2010-002, 2010-004 and 2010-005.

We also noted certain other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 21, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

November 21, 2011

**LIBERTY TOWNSHIP  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-001**

**Noncompliance Citation / Material Weakness**

**Ohio Revised Code, § 505.24(C) and OAG Opinion 2004-036**, requires trustees to establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees' document all time spent on township business and the type of service performed, in a manner similar to trustees' paid per diem compensation.

The following salaries amounts paid to the Trustees were allocated to the Gasoline Tax and Fire funds. There was no documentation provided by the Trustees to support the salary allocations to these funds.

	Gasoline Tax Fund	Fire District Fund	Total
<b>2009</b>			
Lonnie Dishop	\$ 385	\$ 7,116	\$ 7,501
David Mohler	7,545	171	7,716
John Overmier	772	1,585	2,357
Total	<u>\$ 8,702</u>	<u>\$ 8,872</u>	<u>\$ 17,574</u>
<b>2010</b>			
Steven Clapp	\$ 2,855	\$ 3,575	\$ 6,430
David Mohler	7,141	3,146	10,287
John Overmier		3,151	3,151
Total	<u>\$ 9,996</u>	<u>\$ 9,872</u>	<u>\$ 19,868</u>

Adjustments were recorded to the Township's financial statements and accounting records moving these allocations to the General Fund.

We recommend all trustees' salaries be paid from the general fund unless administrative procedures are established to document the proportionate amount of trustees' salaries chargeable to other township funds.

**FINDING NUMBER 2010-002**

**Noncompliance Citation / Material Weakness**

**Ohio Revised Code, § 5705.10 (H)**, states that money paid into any fund shall be used only for the purpose for which such fund is established.

**FINDING NUMBER 2010-002  
(Continued)**

The Gasoline Tax Fund receives monies which are to be used for the purpose of construction, maintenance and repair of Township roads. The Fire District Fund receives proceeds from a property tax levy approved to the purpose of providing and maintaining fire apparatus and appliances.

Health insurance reimbursements for the Trustees were allocated to the Gasoline Tax Fund (\$3,628) and the Fire District Fund (\$2,783). The monies in these funds are restricted for particular uses. Since the Trustees did not provide documentation to support salary amounts charged to funds, the allocation of health insurance reimbursements is not consistent with the purpose for which funds were established.

In addition, a portion of the Fiscal Officer's salary was allocated to the Fire District \$684 in 2009 and \$4,244 in 2010.

Adjustments were recorded to the Township's financial statements and accounting records moving these allocations to the General Fund.

We recommend the Fiscal Officer record health insurance reimbursements and the Fiscal Officer's salary to the General Fund.

**FINDING NUMBER 2010-003**

**Material Weakness / Financial Reporting**

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustments.

1. In 2009 and 2010, homestead and rollback monies were classified as taxes instead of Intergovernmental revenues within the General fund \$8,727 in 2009 and \$5,857 in 2010, Road and Bridge Fund \$8,290 in 2009, and \$1,194 in 2010, Debt Service Fund in 2009 \$6,438, and Fire District Fund, \$11,940 in 2009 and \$7,335 in 2010.
2. In 2009 and 2010, Fire Department and Emergency Medical Services Grants of \$7,357 in 2009 and \$53,712 in 2010 were posted as other financing sources in Fire District Fund instead of Intergovernmental revenues.

These adjustments have been posted to the Township's financial statements.

To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board of Trustees, to identify and correct errors and omissions. The Fiscal Officer should also review the Township Handbook's chart of accounts to ensure all accounts are being properly posted to the financial statements.

## FINDING NUMBER 2010-004

### Noncompliance Citation

**Ohio Revised Code, § 5705.41(D)(1)**, prohibits a subdivision or taxing entity 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 meeting 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 that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. 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.

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

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance 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 Village.

2. **Blanket Certificate** – Fiscal Officer may prepare "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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.
3. **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. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the transactions tested were certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence any of the above exceptions were followed. In addition purchase orders were not issued for reoccurring monthly expenditures. Failure to properly certify the availability of funds can result in overspending 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 the Fiscal Officer certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

**FINDING NUMBER 2010-005**

**Noncompliance Citation**

**Ohio Revised Code, § 5705.41(B)**, states that no subdivision or taxing unit is to expend money unless it has been appropriated. The following funds had expenditures which exceeded appropriations:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Differences</u>
<b>2009</b>			
General Fund	\$122,790	\$135,589	\$(12,799)
<b>2010</b>			
General Fund	89,444	105,932	(16,488)
Fire District	100,000	110,656	(10,656)

The failure to limit expenditures to appropriated amounts may result deficit spending.

The Township should periodically compare expenditures and encumbrances to appropriations to determine if a modification to appropriations is necessary.

**Officials' Response:**

We did not receive a response from officials to the findings reported above.

LIBERTY TOWNSHIP  
HENRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Township Trustees paid from restricted funds without documentation	No	Reissued as Finding 2010-001 in this report.

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**LIBERTY TOWNSHIP**

**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 8, 2011**