

LIBERTY TOWNSHIP

COLUMBUS REGION, DELAWARE COUNTY

REGULAR AUDIT

JANUARY 1, 1997 - DECEMBER 31, 1998

**FISCAL YEAR(S) AUDITED UNDER GENERALLY ACCEPTED GOVERNMENT
AUDITING STANDARDS:**

1997-1998

WOLF, ROGERS, DICKEY & CO.
Certified Public Accountants

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**Liberty Township
Delaware County, Ohio**

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types and Expendable Trust Funds For the Year Ended December 31, 1998	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types and Expendable Trust Funds For the Year Ended December 31, 1997	4
Notes to the Financial Statements	5
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11
Clerk's Certification	14



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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Liberty Township
Delaware, Ohio

We have reviewed the Independent Auditor's Report of Liberty Township, Delaware County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 1997 through December 31, 1998. 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.

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.



JIM PETRO
Auditor of State

January 5, 2000

WOLF, ROGERS, DICKEY & Co.

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Independent Auditor's Report

Board of Trustees
Liberty Township
Delaware County
Delaware, Ohio

We have audited the accompanying financial statements of Liberty Township, Delaware County, (the Township) as of and for the years ended December 31, 1998 and 1997. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 the Township as of December 31, 1998 and 1997, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 1999, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, and grants.

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specific parties.

Wolf, Rogers, Dickey & Co.
Certified Public Accountants

Delaware, Ohio
November 30, 1999

Liberty Township
Delaware County, Ohio

**Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund
Cash Balances - All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 1998**

	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	(Memorandum Only) <u>Total</u>
Cash receipts:				
Local taxes	\$ 362,414	1,913,630	-	2,276,044
Intergovernmental	873,855	331,364	-	1,205,219
Fines, licenses, and permits	185,991	-	-	185,991
Interest	76,554	1,175	180	77,909
Other	<u>43,037</u>	<u>43,826</u>	<u>600</u>	<u>87,463</u>
Total cash receipts	1,541,851	2,289,995	780	3,832,626
Cash disbursements:				
Current:				
Public safety	-	1,389,428	-	1,389,428
General government	471,811	-	-	471,811
Public works	-	402,701	-	402,701
Conservation and recreation	114,543	-	-	114,543
Health	1,320	-	-	1,320
Capital outlay	<u>11,054</u>	<u>307,888</u>	<u>66</u>	<u>319,008</u>
Total cash disbursements	<u>598,728</u>	<u>2,100,017</u>	<u>66</u>	<u>2,698,811</u>
Cash receipts over cash disbursements	943,123	189,978	714	1,133,815
Other financing sources	45,068	-	-	45,068
Fund cash balances January 1, 1998	<u>324,433</u>	<u>229,252</u>	<u>4,190</u>	<u>557,875</u>
Fund cash balances December 31, 1998	\$ <u>1,312,624</u>	<u>419,230</u>	<u>4,904</u>	<u>1,736,758</u>
Reserve for encumbrances	\$ <u>-</u>	<u>52,700</u>	<u>-</u>	<u>52,700</u>

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

Liberty Township
Delaware County, Ohio

**Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund
Cash Balances - All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 1997**

	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	(Memorandum Only) <u>Total</u>
Cash receipts:				
Local taxes	\$ 340,678	1,456,558	-	1,797,236
Intergovernmental	116,890	265,287	-	382,177
Licenses, permits and fees	144,697	-	-	144,697
Interest	34,942	1,376	62	36,380
Other	<u>49,857</u>	<u>43,241</u>	<u>1,500</u>	<u>94,598</u>
Total cash receipts	687,064	1,766,462	1,562	2,455,088
Cash disbursements:				
Current:				
Public safety	-	1,302,552	-	1,302,552
Public works	38,216	371,694	-	409,910
General government	344,951	-	-	344,951
Conservation and recreation	105,661	-	-	105,661
Health	1,839	-	-	1,839
Capital outlay	<u>-</u>	<u>-</u>	<u>291</u>	<u>291</u>
Total cash disbursements	<u>490,667</u>	<u>1,674,246</u>	<u>291</u>	<u>2,165,204</u>
Cash receipts over cash disbursements	196,397	92,216	1,271	289,884
Other financing sources	<u>2,044</u>	<u>-</u>	<u>-</u>	<u>2,044</u>
Net change in fund cash balances	198,441	92,216	1,271	291,928
Fund cash balances January 1, 1997				
As originally reported	116,139	114,496	2,919	233,554
Prior period adjustment	<u>9,853</u>	<u>22,540</u>	<u>-</u>	<u>32,393</u>
As restated	<u>125,992</u>	<u>137,036</u>	<u>2,919</u>	<u>265,947</u>
Fund cash balances December 31, 1997	\$ <u>324,433</u>	<u>229,252</u>	<u>4,190</u>	<u>557,875</u>
Reserve for encumbrances	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**Liberty Township
Delaware County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 1998 and 1997**

(1) Summary of Significant Accounting Policies

Description of the Entity

Liberty Township, Delaware 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 contracts with the Delaware County Sheriff's department to provide security of persons and property.

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

Basis of Accounting

These financial statements were prepared on the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

Cash and Investments

The Township invests funds in excess of immediate needs in the State Treasury Asset Reserve of Ohio (STAR Ohio) is a statewide investment pool managed by the Treasurer of the State of Ohio pursuant to Ohio Revised Code Section 135.45. The investment pool consists mainly of federal agency issues and U.S. Treasury issues. All investment securities are fully collateralized. Investments in STAR Ohio are valued at cost which approximates market.

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.

i. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

ii. Special Revenue Funds

These funds are used to account for proceeds from specific sources 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 for constructing, maintaining and repairing Township roads.

Fire District Fund - This fund receives taxes levied to provide fire protection to the township.

Road District Fund - This fund receives taxes levied for constructing, maintaining and repairing township roads.

iii. Expendable Trust Funds

These funds are used to account for donations received, whose expenditures have been restricted for specific purposes by the donors.

Liberty Township
Delaware County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 1998 and 1997

(1) Summary of Significant Accounting Policies (continued)

Budgetary Process

The Ohio Revised Code requires that each Township fund 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.

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 certify estimated resources.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made.

A summary of 1998 and 1997 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.

Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Township.

Total (Memorandum Only) Columns on Combined Statements

Total columns in the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present cash receipts or disbursements in conformity with the cash basis of accounting. Neither is such data comparable to consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Equity In Pooled Cash And Investments

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

Liberty Township
Delaware County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 1998 and 1997

(2) Equity In Pooled Cash And Investments, continued

	<u>1998</u>	<u>1997</u>
Demand deposits -		
Delaware County Bank	\$ 2,419	20,465
STAR Ohio	<u>1,734,339</u>	<u>537,410</u>
Total deposits	<u>\$ 1,736,758</u>	<u>557,875</u>

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

All cash is in interest bearing deposits.

(3) Budgetary Activity

The Township accounts for transactions on the budget basis, whereby purchase orders, contracts, and other commitments for the expenditure of monies are encumbered in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year end are reported as expenditures on the budget basis of accounting.

The Township's budgetary activity for the years ending December 31, 1998 and 1997 were as follows:

1998 Budgeted and Actual Receipts

<u>Fund Type</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 1,585,734	1,586,919	1,185
Special Revenue	2,290,003	2,289,995	(8)
Expendable Trusts	<u>781</u>	<u>780</u>	<u>(1)</u>
Total	<u>\$ 3,876,518</u>	<u>3,877,694</u>	<u>1,176</u>

1998 Budgeted and Actual Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 756,170	598,728	157,442
Special Revenue	2,349,987	2,152,717	197,270
Expendable Trusts	<u>300</u>	<u>66</u>	<u>234</u>
Total	<u>\$ 3,106,457</u>	<u>2,751,511</u>	<u>354,946</u>

Liberty Township
Delaware County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 1998 and 1997

(3) Budgetary Activity, continued

1997 Budgeted and Actual Receipts

<u>Fund Type</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 557,637	689,108	131,471
Special Revenue	1,709,010	1,766,462	57,452
Expendable Trusts	<u>41</u>	<u>1,562</u>	<u>1,562</u>
Total	\$ <u>2,266,688</u>	<u>2,457,132</u>	<u>190,444</u>

1997 Budgeted and Actual Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 607,357	490,667	116,690
Special Revenue	1,796,261	1,674,246	122,015
Expendable Trust	<u>1,500</u>	<u>291</u>	<u>1,209</u>
Total	\$ <u>2,405,118</u>	<u>2,165,204</u>	<u>239,914</u>

(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, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semi-annually. If the property owner elects to make semiannual payment, the first half is due February 10. The second half payment is due the following July 10.

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.

(5) Retirement Systems

Elected officials and employees of the Township other than firefighters, belong to the Public Employees Retirement (PERS) of Ohio. Firefighters may belong to PERS, the Police and Firemen's Disability and Pension Fund (PFDPF), or may contribute to Social Security. Both PERS and PFDPF are cost-sharing, multi-employer plans which provide retirement benefits, including post-retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Liberty Township
Delaware County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 1998 and 1997

(5) Retirement Systems, continued

Contribution rates are also prescribed by the Ohio Revised Code. For 1998 and 1997, PERS members contributed 8.5% of their gross salaries and the Township contributed 13.55% of the participants' gross salaries. For the same period, PFDPF members contributed 10% of their gross salaries and the Township contributed 24% of the participants' gross salaries. Firefighters who contributed to Social Security contributed at a rate of 6.2% of their gross salary with the Township providing a match of an equal amount. The Township has paid all contributions required through December 31, 1998.

(6) Prior Period Adjustment

In 1997 the Township requested assistance from the Auditor of State to reconcile unlocated differences between Township records and depository statements that existed at December 31, 1996. The conclusion of this reconciliation process was the identification of a number of transactions that had been recorded incorrectly in the Township records. The 1997 beginning cash balances were adjusted to reflect the reconciling items identified by the Auditor of State.

(7) Risk Management

The Township has obtained commercial insurance for comprehensive property and general liability and public official's liability.

The Township also provides health insurance coverage to elected officials through a private carrier.

(8) Year 2000 Issue

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the Township's operations as early as fiscal 1999. The Township has completed an inventory of computer systems and other electronic equipment necessary to conducting Township operations.

- The Township leases the Auditor of State's Uniform Accounting Network (UAN) for its financial operations. The Auditor of State is responsible for remediating these systems and is solely responsible for any cost associated with this project.
- Tax collection for the Township is handled by Delaware County. The County is responsible for remediating this system, and is solely responsible for any costs associated with this project.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until 2000 and thereafter. Management cannot assure that the Township is or will be year 2000 ready, that the Township's remediation efforts will be successful in whole or in part, or that parties with whom the Township does business will be year 2000 ready.

(9) Contingency

The Township is involved in a case currently pending in the Delaware County Court of Appeals. The case involves a petition to annex approximately 420 acres in Liberty and Delaware Townships, Delaware County, to the City of Delaware. If the annexation is approved, the Township would lose future property tax revenues on this land. The Township Trustees are vigorously opposing the proposed annexation.

**Liberty Township
Delaware County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 1998 and 1997**

(10) Subsequent Event/Commitment

In November 1999, Township voters approved a twenty-seven year, .83 mill bond issue for the construction of a recreation center.

WOLF, ROGERS, DICKEY & Co.

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**Report on Compliance and on Internal Control over Financial Reporting Based on an
Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

Board of Trustees
Liberty Township
Delaware County
Delaware, Ohio

We have audited the financial statements of Liberty Township, Delaware County, Ohio (the Township), as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated November 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described below. We also noted certain immaterial instances of noncompliance, which we have reported to management of the Township in a separate letter dated November 30, 1999.

Budgetary Requirements

Section 5705.34 Ohio Revised Code (ORC) states, in part, that each taxing authority is required to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1 of the preceding year.

During our review of budgetary documents, we noted that the 1997 Certification of Tax Levies was not filed until December 1996. Per inquiry of County Auditor Office personnel, the 1998 Certification was not filed at all.

We recommend that the Township review the annual budgetary requirements and set up a schedule to ensure that all budgetary requirements have been addressed, and appropriate resolutions have been adopted and filed with the County Auditor's office in a timely manner.

Appropriations

Section 5705.31 (D)(1) Ohio Revised Code (ORC) states that no taxing authority shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

We noted during our testing that at the beginning of a new year, Township expenditures relating to the prior year were charged against current year appropriations.

We recommend that the Township charge expenditures against appropriations for the year in which the obligation was incurred.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described as follows:

Cash Reconciliation

We noted that significant unlocated differences existed between the bank reconciliation and the UAN cash balance at the end of 1997 and 1998. The unlocated differences were \$29,400 and \$38,768 for 1997 and 1998, respectively. When all cash transactions have been properly recorded, the only reconciling items on the bank reconciliation should be outstanding checks and deposits in transit. The Auditor of State's office assisted the Township in reconciling the differences and discovered several cash transactions that had not been recorded or had been recorded incorrectly in each year.

The UAN system has certain safeguards built into the program to help ensure compliance with Ohio Budgetary laws. These safeguards cannot be effective if significant transactions have not been recorded. The Township may potentially disburse more cash than is available in the bank account, make expenditures that exceed encumbrances, or make expenditures that exceed available appropriations.

We recommend that the UAN system cash balance be reconciled to the bank statement each month, and that monthly UAN reports including the expenditure and receipts journal be compared to activity on the bank statement to aid in identifying discrepancies. Any discrepancies noted should be recorded in the UAN accounting system immediately. We encourage the Township to continue utilizing the Auditor of State's office for assistance with the reconciliation process.

Cash Reconciliation (continued)

We further recommend that the Township Trustees adopt a procedure whereby they review the bank reconciliation each month to verify that it has been completed, and that the UAN system balance reconciles to the bank statement with no unexplained or unrecorded differences.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness. However, we believe that the reportable condition regarding cash reconciliations described above is a material weakness.

This report is intended solely for the information and use of the Board of Trustees, management and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Wolf, Roges, Dickey & Co.
Certified Public Accountants

Delaware, Ohio
November 30, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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LIBERTY TOWNSHIP
DELAWARE 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.

By: *Susan Babbitt*

Date: JAN 13 2000