

LIBERTY TOWNSHIP  
DELAWARE COUNTY, OHIO

Financial Statements  
December 31, 2004 and 2003

Wolf, Rogers, Dickey & Co.  
*Certified Public Accountants*





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Liberty Township  
7201 Liberty Road  
Powell, Ohio 43065

We have reviewed the *Independent Auditors' Report* of Liberty Township, Delaware County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 2003 through December 31, 2004. 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.

**Finding For Recovery Repaid Under Audit**

The Township contracted with Weithman Bros., Inc. for the construction of a fire station. Total payments were made to Weithman Bros., Inc. in the amount of \$1,462,070.31 including \$7,498.80 of interest on the retainage held. The total amount of the draw requests from Weithman Bros., Inc. was \$1,375,617.11, resulting in an overpayment of \$78,954.40.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985).

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended would have been issued against Weithman Bros. Inc. and the Township Clerk, Marcia Rush, jointly and severally, in the amount of \$78,954.40 in favor of the Fire Fund of the Township.

The Township was repaid \$78,954.40 by Weithman Bros, Inc. on March 3, 2006, and the amount was credited to the Fire Fund.

Board of Trustees  
Liberty Township  
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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.



BETTY MONTGOMERY  
Auditor of State

September 20, 2006

Liberty Township  
Delaware County, Ohio

For the Years Ended  
December 31, 2004 and 2003

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# Wolf, Rogers, Dickey & Co.

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## Independent Auditors' Report

Liberty Township  
Delaware County, Ohio

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Delaware County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003. 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 and 2003, the revisions require presenting entity-wide statements and also to present larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio 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 the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, 2004, or their changes in financial position for the year 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, Delaware County, Ohio as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 March 6, 2006, 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 considering the results of our audit.

A handwritten signature in cursive script that reads "Wolf, Rogers, Dickey & Co." The signature is written in black ink and is positioned in the lower right quadrant of the page.

Certified Public Accountants

March 6, 2006

Liberty Township  
Delaware 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, 2004

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable (Memorandum Trust</u>	<u>Totals Only)</u>
Cash receipts:						
Local taxes	\$ 776,887	4,965,756	422,665	-	-	6,165,308
Intergovernmental	314,819	741,492	57,325	-	-	1,113,636
Licenses, permits and fees	269,459	7,850	-	-	-	277,309
Earnings on investments	77,849	598	331	479	90	79,347
Other revenue	<u>113,911</u>	<u>105,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,560</u>
Total cash receipts	<u>1,552,925</u>	<u>5,821,345</u>	<u>480,321</u>	<u>479</u>	<u>90</u>	<u>7,855,160</u>
Cash disbursements:						
Current:						
Public safety	-	5,083,904	-	-	-	5,083,904
General government	1,093,049	-	6,539	-	-	1,099,588
Public works	600	918,265	-	-	-	918,865
Conservation – recreation	219,230	-	-	-	-	219,230
Health	2,534	-	-	-	-	2,534
Debt Service:						
Redemption of principal	-	-	150,000	-	-	150,000
Interest and fiscal charges	-	-	320,380	-	-	320,380
Capital outlay	<u>120,187</u>	<u>840,264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>960,451</u>
Total cash disbursements	<u>1,435,600</u>	<u>6,842,433</u>	<u>476,919</u>	<u>-</u>	<u>-</u>	<u>8,754,952</u>
Total receipts over (under) disbursements	117,325	(1,021,088)	3,402	479	90	(899,792)
Other financing receipts (disbursements):						
Advances in	777,300	777,300	-	-	-	1,554,600
Advances out	(777,300)	(777,300)	-	-	-	(1,554,600)
Other financing sources	3,560	-	10	-	-	3,570
Other financing uses	<u>-</u>	<u>(14,222)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,222)</u>
Total other financing receipts (disbursements)	<u>3,560</u>	<u>(14,222)</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>(10,652)</u>
Total receipts over (under) disbursements	120,885	(1,035,310)	3,412	479	90	(910,444)
Fund cash balances, January 1	<u>1,617,513</u>	<u>5,238,049</u>	<u>61,232</u>	<u>387,663</u>	<u>6,389</u>	<u>7,310,846</u>
Fund cash balances, December 31	\$ <u>1,738,398</u>	<u>4,202,739</u>	<u>64,644</u>	<u>388,142</u>	<u>6,479</u>	<u>6,400,402</u>
Reserve for encumbrances	\$ <u>61,798</u>	<u>67,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,434</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  
For the Year Ended December 31, 2003

	<u>General</u>	<u>Special Revenue</u>	<u>Debit Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:						
Local taxes	\$ 692,186	4,624,144	445,656	-	-	5,761,986
Intergovernmental	1,010,684	684,312	56,594	-	-	1,751,590
Licenses, permits and fees	187,553	7,979	-	-	-	195,532
Earnings on investments	52,736	807	276	7,069	78	60,966
Other revenue	<u>103,568</u>	<u>91,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,640</u>
Total cash receipts	<u>2,046,727</u>	<u>5,408,314</u>	<u>502,526</u>	<u>7,069</u>	<u>78</u>	<u>7,964,714</u>
Cash disbursements:						
Current:						
Public safety	-	2,724,234	-	-	-	2,724,234
General government	1,254,371	-	7,034	-	-	1,261,405
Public works	-	631,615	-	-	-	631,615
Conservation – recreation	474,743	-	-	-	-	474,743
Health	2,614	-	-	-	-	2,614
Debt service:						
Redemption of principal	-	-	140,000	-	-	140,000
Interest and fiscal charges	-	-	327,030	-	-	327,030
Capital outlay	<u>64,723</u>	<u>346,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>411,483</u>
Total cash disbursements	<u>1,796,451</u>	<u>3,702,609</u>	<u>474,064</u>	<u>-</u>	<u>-</u>	<u>5,973,124</u>
Total receipts over disbursements	250,276	1,705,705	28,462	7,069	78	1,991,590
Other financing receipts:						
Other financing sources	<u>12,170</u>	<u>-</u>	<u>9</u>	<u>15,692</u>	<u>-</u>	<u>27,871</u>
Total other financing receipts	<u>12,170</u>	<u>-</u>	<u>9</u>	<u>15,692</u>	<u>-</u>	<u>27,871</u>
Total receipts over disbursements	262,446	1,705,705	28,471	22,761	78	2,019,461
Fund cash balances, January 1	<u>1,355,067</u>	<u>3,532,344</u>	<u>32,761</u>	<u>364,902</u>	<u>6,311</u>	<u>5,291,385</u>
Fund cash balances, December 31	\$ <u>1,617,513</u>	<u>5,238,049</u>	<u>61,232</u>	<u>387,663</u>	<u>6,389</u>	<u>7,310,846</u>
Reserve for encumbrances	\$ <u>78,446</u>	<u>1,437,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,515,858</u>

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

Liberty Township  
Delaware County, Ohio  
Notes to the Financial Statements  
December 31, 2004 and 2003

(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 provides road and bridge maintenance and cemetery maintenance. The Delaware County Sheriff's Department provides security of persons and property in the Township by statute.

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 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 deposit are valued at cost.

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  
Delaware County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2004 and 2003

(1) Summary of Significant Accounting Policies, continued

Fund Accounting, 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:

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

Fire District Fund – This fund receives tax money from a special fire levy for covering the cost of fire protection.

Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

General Bond Retirement Fund – This fund receives tax money earmarked to retire the bonded debt associated with the construction of the fire house.

Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Recreation Center Fund – This fund received bond proceeds for the construction of a recreation center for the Township.

Fiduciary Funds (Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary funds:

Park Fund – This expendable trust fund receives donations and interest for park improvements.

Amos Trust Fund – This expendable trust fund receives donations and interest for maintenance of the park and flowerbed.

Liberty Township  
Delaware County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2004 and 2003

(1) Summary of Significant Accounting Policies, continued

Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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 approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 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.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave which is limited at specified levels is not reflected as a liability under the Township's basis of accounting.

(2) Equity in Pooled Cash and Investments

The Township maintains a cash and investment 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, continued  
December 31, 2004 and 2003

(2) Equity in Pooled Cash and Investments

	<u>2004</u>	<u>2003</u>
Demand deposits	\$ 897,887	1,178,471
STAR Ohio	<u>5,502,515</u>	<u>6,132,375</u>
 Total deposits and investments	 \$ <u>6,400,402</u>	 <u>7,310,846</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 the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes.

(3) Budgetary Activity

Budgetary activity for the years ended December 31, 2004 and 2003 follows:

<u>Fund Type</u>	<u>2004 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,155,404	1,556,485	401,081
Special revenue	5,286,812	5,821,345	534,533
Capital projects	-	479	479
Debt service fund	498,672	480,331	(18,341)
Expendable trust funds	<u>52</u>	<u>90</u>	<u>38</u>
 Total	 \$ <u>6,940,940</u>	 <u>7,858,730</u>	 <u>917,790</u>

<u>Fund Type</u>	<u>2004 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,345,794	1,497,398	(151,604)
Special revenue	9,765,643	6,924,291	2,841,352
Capital projects	378,569	-	378,569
Debt service fund	568,979	476,919	92,060
Expendable trust funds	<u>2,000</u>	<u>-</u>	<u>2,000</u>
 Total	 \$ <u>12,060,985</u>	 <u>8,898,608</u>	 <u>3,162,377</u>

Liberty Township  
 Delaware County, Ohio  
 Notes to the Financial Statements, continued  
 December 31, 2004 and 2003

(3) Budgetary Activity, continued

<u>Fund Type</u>	<u>2003 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$ 1,126,350	2,058,897	932,547
Special revenue	4,962,154	5,408,314	446,160
Capital projects	-	22,761	22,761
Debt service fund	460,045	502,535	42,490
Expendable trust funds	<u>247</u>	<u>78</u>	<u>(169)</u>
Total	\$ <u>6,548,796</u>	<u>7,992,585</u>	<u>1,443,789</u>

<u>Fund Type</u>	<u>2003 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General	\$ 2,300,000	1,874,897	425,103
Special revenue	8,422,000	5,140,021	3,281,979
Capital projects	340,000	-	340,000
Debt service fund	468,000	474,064	(6,064)
Expendable trust funds	<u>6,557</u>	<u>-</u>	<u>6,557</u>
Total	\$ <u>11,536,557</u>	<u>7,488,982</u>	<u>4,047,575</u>

Budgetary expenditures exceeded appropriations by \$151,604 in the General Fund for 2004 and by \$6,064 in the Debt Service Fund for 2003.

(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. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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  
Delaware County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2004 and 2003

(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) Retirement Systems

The Township's certified fire fighters and police officers belong to the Police and Fire Pension Fund (OP&F). Other employees and elected officials belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, the Township contributed 24% of participants' gross wages which included the 10% contribution normally required of OP&F members. The Township contributed 22.05% of PERS participants' gross salaries which included the 8.5% contribution normally required of the members, excluding electing officials. The Township has paid all contributions required through December 31, 2004.

(6) Risk Management

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions

The Township also provides health insurance coverage to Township Trustees, the Clerk and other employees through a private carrier.

(7) Long-Term Debt

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$ 5,744,984	Variable

The general obligation bonds were issued to finance the construction of a Community Recreation Center. The bonds are collateralized solely by the Township's taxing authority.

Liberty Township  
Delaware County, Ohio  
Notes to the Financial Statements, continued  
December 31, 2004 and 2003

(7) Long-Term Debt, continued

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

Year ending December 31:	
2005	\$ 468,180
2006	465,663
2007	467,822
2008	469,408
2009	469,408
2010 through 2027	<u>8,410,760</u>
Total	\$ <u>10,751,241</u>

(8) Pending Litigation

The Township is currently the defendant in two lawsuits related to zoning issues. Compensatory damages in an unspecified amount are being sought in one of the suits. The Township has employed legal counsel and plans to vigorously contest the claims. Although it is not currently possible to predict a range of loss, if any, the Township believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition of the Township.



# 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  
Delaware County, Ohio

To the Board of Trustees:

We have audited the financial statements of Liberty Township, Delaware County, (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated March 6, 2006, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reportings and its operation that we consider to be reportable conditions. 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 judgment, 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. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2004-02.

A material weakness is a reportable 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 caused by error or fraud 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 weaknesses. However, we consider item 2004-02 to be a material weakness.

## Compliance and Other Matters

As part of reasonably assuring 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 grant agreements, 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-01, 2004-04, 2004-05, 2004-06 and 2004-07. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 6, 2006.

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

March 6, 2006

Liberty Township  
Delaware County, Ohio  
Schedule of Findings  
December 31, 2004 and 2003

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

**Finding Number 2004-01**

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. During our testing of non-payroll related cash disbursements we noted that for 24 of 79 disbursements tested for 2003 and 26 of 121 disbursements tested for 2004 the purchase orders or blanket certificates were dated after the invoice date or the expenditure was directly charged against the appropriation.

We recommend that all purchase orders be dated on or before the goods or services are ordered. For routine services and goods purchased, blanket certificates should be executed. This budgetary procedure is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Township funds being over expended or exceeding budgetary spending limitations as set by the Board.

**Finding Number 2004-02**

In 2004, the Township paid a construction draw of \$78,954 for the new fire station twice. The Township sought a refund of the overpayment in 2006 after the duplicate payment was discovered under audit. A full refund of the overpayment was received and deposited on March 6, 2006.

In 2003, the Township paid an invoice of \$6,898 for a lawn tractor twice. A refund of the duplicate payment was received in August 2003.

**Finding Number 2004-03**

Ohio Revised Code Section 5705.36 provides that on or about the first day of each fiscal year, the Township Clerk shall certify to the County Auditor the total amount from all sources available for expenditures from each fund set up in the tax budget, with any balances that may exist at the end of preceding year. It further provides that encumbered but unexpended funds from the previous year shall not be included as available. This is generally referred to as the "first amended" certificate of estimated resources and shall serve as the basis of the annual appropriation resolution.

The Township did not file an official first amended certificate of estimated resources for 2003. We noted that the Township reported actual unencumbered beginning cash balances for 2003 to the county auditor's office via a letter, however, the information was not in the proper format and the County Budget Commission did not issue a first amended certificate of estimated resources.

Liberty Township  
Delaware County, Ohio  
Schedule of Findings, continued  
December 31, 2004 and 2003

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

**Finding Number 2004-03, continued**

The Township filed the first amended certificate of estimated resources for 2004 in December 2004 instead of at the beginning of the fiscal year as required. In addition, the beginning balances on the first amended certificate included \$1,515,858 of funds that were encumbered at the end of 2003, and therefore were not available for expenditure in 2004.

**Finding Number 2004-04**

Ohio Revised Code Section 5705.38 provides that the Township shall adopt at least a temporary appropriation resolution on or about the first day of each year and a permanent appropriation resolution no later than April 1.

In 2004, the Township only adopted a temporary appropriation measure for the year. A permanent appropriation measure for 2004 was on file for the Township at the County Auditor's office with a date stamp of December 2, 2005. Board minutes for 2004 did not record adoption of a permanent appropriation measure.

In addition, Ohio Revised Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue.

For 2003, the temporary appropriation measure exceeded estimated resources in the Debt Service Fund by \$3,415, the Capital Projects Fund by \$329,600 and the Expendable Trust Funds by \$1,657. Permanent appropriations for 2003 exceeded estimated resources in the General Fund by \$388,050, the Motor Vehicle License Tax Fund by \$9,577, the Gasoline Tax Fund by \$53,520, the Road and Bridge Fund by \$167,187, the Fire District Fund by \$2,238,829, the Debt Service Fund by \$7,655, the Capital Project Fund by \$340,000 and the Expendable Trust Funds by \$5,714.

The 2003 Township appropriation measures were bound by the original certificate of estimated resources since there was no first amended certificate of estimated resources on file.

Appropriations in the 2004 temporary appropriations measure exceeded estimated resources in the original certificate in the Motor Vehicle License Tax Fund by \$25,647, the Gasoline Tax Fund by \$51,590, the Road and Bridge Fund by \$13,328, the Fire District Fund by \$573,102, the Permissive Motor Vehicle License Tax Fund by \$19,215, the Debt Service Fund by \$70,224, the Capital Projects Fund by \$378,569, the Special Assessment Fund by \$14,222 and the Expendable Trust Funds by \$27. Appropriations did not exceed estimated resources in any category based on the first amended certificate of estimated resources, however, as described in Finding Number 2004-04, the first amended certificate for 2004 was not filed until December 2004.

Liberty Township  
Delaware County, Ohio  
Schedule of Findings, continued  
December 31, 2004 and 2003

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

**Finding Number 2004-05**

Ohio Revised Code Sections 505.24 and 507.09, respectively, set forth compensation levels for Township Trustees and Township Clerks based upon the Township's budget. The budget, as used for purposes of determining the authorized compensation of the Trustees and Clerk, is based upon the official Certificate of Estimated Resources, and any amended official certificate, received from the County Budget Commission.

The Township's budget for 2003, as filed with the County Budget Commission, was within the \$6,000,001 to \$10,000,000 range. In this range, Trustees elected or appointed after September 5, 2001 were entitled to \$14,182 of compensation for 2003. The two Trustees appointed or elected after September 5, 2001 were each paid \$18,234 in 2003, which represents an overpayment of \$4,052 to each. Although actual available revenues might have supported the higher level of pay, as noted in Finding Number 2004-04, a first amended certificate of estimated revenues was not obtained for 2003.

The Township's budget for 2004, as filed with the County Budget Commission, was within the \$6,000,001 to \$10,000,000 range. In this range, Trustees were entitled to \$14,508 of compensation and the Clerk was entitled to \$22,087 of compensation for 2004. However, each of the Trustees received \$18,654 of compensation and the Clerk received \$25,553 of compensation, which represented overpayments of \$4,146 to each Trustee and \$3,466 to the Clerk. As described in Finding Number 2004-04, the first amended certificate of estimated resources, which would have supported the higher level of pay, was not filed until December 2004. The elected officials were not eligible for the higher level of compensation until the amended certificate was issued by the County Budget Commission.

**Finding Number 2004-06**

Ohio Revised Code Section 5705.41(B) provides that no money is to be expended unless it has been appropriated. Budgetary expenditures exceeded appropriation authority by \$151,604 in the General Fund in 2004 and by \$6,064 in the Debt Service Fund in 2003.

Liberty Township  
Delaware County, Ohio  
Township Response to Schedule of Findings  
December 31, 2004 and 2003

**Liberty Township's response dated July 18, 2006 to the Schedule of Findings is as follows:**

First, the Township elected officials recognize at this point that the Township operations have become extremely complicated during the course of the past several years of unprecedented growth and that additional staffing is not only advisable but necessary. The size of our employee roster, the budget, and the scope of our operations dictates the need for administrative support for our elected Fiscal Officer. In recognition of that need, the Township Trustees authorized through Resolution No. 06-202 on July 17, 2006, the establishment of a new position of Assistant to the Fiscal Officer, so that a qualified person might be hired pursuant to Ohio Rev. Code § 507.021 to provide our Fiscal Officer with much needed staffing which comparably sized townships commonly rely upon.

Once the Assistant is hired and assimilated into the Township administration, we anticipate many of the deficiencies noted in the Preliminary Report will dissipate. Quite frankly, the job of Fiscal Officer, at least in Liberty Township, has grown beyond one person. With the proper staff, we would expect deficiencies such as Finding Numbers 2004-01, 2004-02, 2004-03, 2004-04 and 2004-06 to be corrected.

With more specific regard to Finding Number 2004-05, we feel the finding is somewhat ameliorated by the fact that the salaries paid both in 2003 and 2004 would have been appropriate and supportable by the actual size of the Township's actual "budget," if only the appropriate paperwork reflecting actual resources available would have been timely filed with the County Auditor. Clearly, no malicious or intentional conduct is implicated in the records. In essence, the salaries paid were supported by the realities of the revenues available to the Township, if not by the specific paperwork by which a "budget" is defined.

Indeed, more specifically in 2003, the Fiscal Officer attempted to update the report of estimated available resources by letter to the Auditor dated March 21, 2003 which, if accepted in that form, would have supported the salaries paid in 2003. This is true even if the monies reflected in Finding Number 2004-03 had been properly excluded from the sums deemed "available." The amended report letter was purportedly not accepted, as it was not submitted in the proper form.

Similarly, for 2004, the first amended certificate of estimated resources, if timely filed, would have supported the salaries paid. Regrettably, the amended certificate of estimated resources was not filed until December 2004, and the prevailing authority dictates that the salaries which are dependent upon that report should not be paid until after the report is officially accepted. Nonetheless, the attempted filing of an amended certificate accurately reflected the realities of the Township's fiscal situation.

Clearly, the realities of the Township's fiscal situation were not reflected in the filings with the County Auditor as perhaps they should have been. For this reason in particular, the Township would request the opportunity to file corrective paperwork retroactively for the years 2003 and 2004. This retroactive filing, admittedly unconventional, would allow the reporting documents to reflect reality.



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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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 3, 2006**