

**LIBERTY TOWNSHIP
DELAWARE COUNTY, OHIO**

FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005

WOLF, ROGERS, DICKEY & CO.
Certified Public Accountants



Mary Taylor, CPA
Auditor of State

Board of Trustees
Liberty Township
10104 Brewster Lane
Suite 125
Powell, Ohio 43065 - 7578

We have reviewed the *Independent Auditors' Report* of Liberty Township, Delaware County, prepared by Wolf, Rogers, Dickey & Co. for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 9, 2008

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Liberty Township
Delaware County, Ohio

For the Years Ended December 31, 2006 and 2005

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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, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity-wide statements and also to present larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to 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 of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or their changes in financial position for the years then ended.

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

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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 May 6, 2008, 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.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

May 6, 2008

**Liberty Township
Delaware County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental and Fiduciary Fund Types
For the Year Ended December 31, 2006**

	<u>Governmental Fund Types</u>				Private	Totals
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Purpose Trust Funds</u>	(Memorandum Only)
Cash receipts:						
Local taxes	\$ 950,711	5,551,924	418,413	-	-	6,921,048
Intergovernmental	207,528	809,348	49,733	-	-	1,066,609
Licenses, permits and fees	238,088	10,262	-	-	-	248,350
Earnings on investments	281,815	1,192	-	-	346	283,353
Other revenue	<u>345,612</u>	<u>135,581</u>	<u>-</u>	<u>245,217</u>	<u>20</u>	<u>726,430</u>
Total cash receipts	<u>2,023,754</u>	<u>6,508,307</u>	<u>468,146</u>	<u>245,217</u>	<u>366</u>	<u>9,245,790</u>
Cash disbursements:						
Current:						
General government	1,162,544	-	-	-	-	1,162,544
Public safety	-	5,149,563	-	-	-	5,149,563
Public works	-	904,602	-	-	-	904,602
Conservation – recreation	269,255	-	6,148	-	-	275,403
Health	2,914	-	-	-	-	2,914
Capital outlay	609,122	139,005	-	174,376	1,052	923,555
Debt services:						
Redemption of principal	-	-	5,574,765	-	-	5,574,765
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>435,330</u>	<u>-</u>	<u>-</u>	<u>435,330</u>
Total cash disbursements	<u>2,043,835</u>	<u>6,193,170</u>	<u>6,016,243</u>	<u>174,376</u>	<u>1,052</u>	<u>14,428,676</u>
Total receipts over (under) disbursements	(20,081)	315,137	(5,548,097)	70,841	(686)	(5,182,886)
Other financing receipts (disbursements):						
Sale of bonds	-	-	5,569,903	-	-	5,569,903
Advances in	1,600	-	-	-	1,600	3,200
Advances out	(1,600)	-	-	-	(1,600)	(3,200)
Other financing sources	124,966	-	6,655	-	-	131,621
Other financing uses	<u>-</u>	<u>(6,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,000)</u>
Total other financing receipts (disbursements)	<u>124,966</u>	<u>(6,000)</u>	<u>5,576,558</u>	<u>-</u>	<u>-</u>	<u>5,695,524</u>
Excess of receipts over (under) disbursements	104,885	309,137	28,461	70,841	(686)	512,638
Fund cash balances, January 1	<u>1,239,747</u>	<u>4,995,780</u>	<u>77,818</u>	<u>329,045</u>	<u>6,711</u>	<u>6,649,101</u>
Fund cash balances, December 31	\$ <u>1,344,632</u>	<u>5,304,917</u>	<u>106,279</u>	<u>399,886</u>	<u>6,025</u>	<u>7,161,739</u>
Reserve for encumbrances	\$ <u>114,352</u>	<u>33,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,391</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 and Fiduciary Fund Types
For the Year Ended December 31, 2005

	Governmental Fund Types			Fiduciary Funds		Totals
	General	Special Revenue	Debit Service	Capital Projects	Expendable Trust Funds	(Memorandum Only)
Cash receipts:						
Local taxes	\$ 815,681	5,162,437	431,464	-	-	6,409,582
Intergovernmental	453,026	791,180	55,770	-	-	1,299,976
Licenses, permits and fees	210,713	6,750	-	-	-	217,463
Earnings on investments	174,199	707	437	556	232	176,131
Other revenue	<u>332,524</u>	<u>122,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>454,859</u>
Total cash receipts	<u>1,986,143</u>	<u>6,083,409</u>	<u>487,671</u>	<u>556</u>	<u>232</u>	<u>8,558,011</u>
Cash disbursements:						
Current:						
General government	1,141,949	-	6,325	-	-	1,148,274
Public safety	-	4,743,175	-	-	-	4,743,175
Public works	-	825,797	-	-	-	825,797
Conservation – recreation	239,362	-	-	-	-	239,362
Health	2,897	-	-	-	-	2,897
Other	-	10,500	-	-	-	10,500
Capital outlay	549,438	281,153	-	52,563	-	883,154
Debt service:						
Redemption of principal	-	-	155,000	-	-	155,000
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>313,180</u>	<u>-</u>	<u>-</u>	<u>313,180</u>
Total cash disbursements	<u>1,933,646</u>	<u>5,860,625</u>	<u>474,505</u>	<u>52,563</u>	<u>-</u>	<u>8,321,339</u>
Total receipts over (under) disbursements	52,497	222,784	13,166	(52,007)	232	236,672
Other financing receipts (disbursements):						
Advances in	-	669,927	-	-	-	669,927
Advances out	(563,167)	(99,670)	-	(7,090)	-	(669,927)
Other financing sources	<u>12,019</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>12,027</u>
Total other financing receipts	<u>(551,148)</u>	<u>570,257</u>	<u>8</u>	<u>(7,090)</u>	<u>-</u>	<u>12,027</u>
Excess of receipts over (under) disbursements	(498,651)	793,041	13,174	(59,097)	232	248,699
Fund cash balances, January 1	<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>
Fund cash balances, December 31	\$ <u>1,239,747</u>	<u>4,995,780</u>	<u>77,818</u>	<u>329,045</u>	<u>6,711</u>	<u>6,649,101</u>
Reserve for encumbrances	\$ <u>48,293</u>	<u>152,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,147</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, 2006 and 2005**

(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, bridge and cemetery maintenance and fire protection. 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, 2006 and 2005**

(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.

Road and Bridge Fund – This fund receives motor vehicle tax money for constructing, maintaining, and repairing Township's roads.

Debt Service Fund

This 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 community recreation center.

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 and settlement on dispute of the center's roof.

Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. 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, 2006 and 2005**

(1) Summary of Significant Accounting Policies, continued

Fiduciary Funds (Trust Funds), continued

Expendable Trust funds (2005 classification) – These funds received restricted donations. In 2006, the monies from these funds were transferred to comply with the updated standards.

Private Purpose Trust Funds (classification for 2006) – During 2006 these funds received donations and interest as described below.

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 2006 and 2005 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.

**Liberty Township
Delaware County, Ohio
Notes to the Financial Statements, continued
December 31, 2006 and 2005**

(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:

	<u>2006</u>	<u>2005</u>
Demand deposits	\$ 1,749,487	1,232,168
STAR Ohio	<u>5,412,252</u>	<u>5,416,933</u>
 Total deposits and investments	 \$ <u>7,161,739</u>	 <u>6,649,101</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, 2006 and 2005 follows:

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,695,644	2,148,720	453,076
Special revenue	6,252,265	6,508,307	256,042
Debt service	461,960	6,044,704	5,582,744
Capital projects	-	245,217	245,217
Private purpose trusts	<u>91</u>	<u>366</u>	<u>275</u>
 Total	 \$ <u>8,409,960</u>	 <u>14,947,314</u>	 <u>6,537,354</u>

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 2,472,966	2,158,187	314,779
Special revenue	10,853,522	6,232,209	4,621,313
Debt service	466,000	6,016,243	(5,550,243)
Capital projects	196,937	174,376	22,561
Private purpose trusts	<u>6,800</u>	<u>1,052</u>	<u>5,748</u>
 Total	 \$ <u>13,996,225</u>	 <u>14,582,067</u>	 <u>(585,842)</u>

**Liberty Township
Delaware County, Ohio
Notes to the Financial Statements, continued
December 31, 2006 and 2005**

(3) Budgetary Activity, continued

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,336,960	1,998,162	661,202
Special revenue	6,033,705	6,083,409	49,704
Debt service	482,323	487,679	5,356
Capital projects	-	556	556
Expendable trust	<u>52</u>	<u>232</u>	<u>180</u>
Total	\$ <u>7,853,040</u>	<u>8,570,038</u>	<u>716,998</u>

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 2,050,498	1,981,939	68,559
Special revenue	7,514,101	6,013,479	1,500,622
Debt service	468,181	474,505	(6,324)
Capital projects	249,500	52,563	196,937
Expendable trust	<u>1</u>	<u>-</u>	<u>1</u>
Total	\$ <u>10,282,281</u>	<u>8,522,486</u>	<u>1,759,795</u>

Budgetary expenditures exceeded appropriations by \$5,550,243 and \$6,324 in the Debt Service Fund for 2006 and 2005, respectively.

(4) Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State of Ohio, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual 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, 2006 and 2005**

(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) Long-Term Debt

Debt outstanding at December 31, 2006 was as follows:

The Township issued \$5,034,993 of Community Recreation Center Refunding General Obligation Bonds in March 2006 and incurred issuance costs of \$135,903. The Refunding Bonds were issued at a premium of \$534,910, net of original issue discount to retire the Community Recreation Center General Obligation Bonds issued in April 2000. The Escrow agreement required the Escrow Trustee to purchase securities to pay interest and principal to the original bond holders. The Township reports servicing of the Refunding Bonds in the Debt Service Fund and uses collections from the Bond Issue passed in November 1999 for the payments. The bonds are collateralized solely by the Township's taxing authority.

Repayment of the Refunding Bonds is scheduled as follows:

Year ending December 31:	<u>Principal</u>	<u>Interest</u> (at <u>variable rates</u>)
2007	\$ 65,000	188,519
2008	70,000	186,244
2009	70,000	183,794
2010	75,000	181,344
2011	82,298	356,421
2012 through 2027	<u>4,547,695</u>	<u>2,517,435</u>
Total	\$ <u>4,909,993</u>	<u>3,613,757</u>

(6) 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 2006 and 2005, the Township contributed 34% of participants' gross wages which included the 10% contribution normally required of OP&F members. The Township contributed 22.70% in 2006 and 22.05% in 2005 of PERS participants' gross salaries which included the 9% in 2006 and 8.5% in 2005 contributions normally required of the members, excluding electing officials. The Township has paid all contributions required through December 31, 2006.

**Liberty Township
Delaware County, Ohio
Notes to the Financial Statements, continued
December 31, 2006 and 2005**

(7) Risk Management

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

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses, resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rate carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Plan's audited financial statements conform with generally accepted accounting principles and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (the latest information available):

	<u>2006</u>	<u>2005</u>
Assets	\$ 9,620,148	8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Member's Equity	\$ <u>6,290,528</u>	<u>5,470,791</u>

The complete audited financial statements for The Ohio Government Risk Management Plan are available at the Plan's website, www.ohioplan.org.

Liberty Township
Delaware County, Ohio
Notes to the Financial Statements, continued
December 31, 2006 and 2005

(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.

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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, 2006 and 2005, and have issued our report thereon dated May 6, 2008, wherein we noted the Township followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

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

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

Internal Control Over Financial Reporting, continued

We consider the following deficiencies in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: items 2006-01, 2006-04, 2006-07, 2006-09, and 2006-10.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2006-04, 2006-09 and 2006-10 to be material weaknesses.

In a separate letter to the Township's management dated May 6, 2008, we reported other matters involving internal controls over financial reporting that we did not deem significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2006-01 through 2006-06, 2006-08 and 2006-11 through 2006-16.

We noted certain noncompliance or other matters not requiring inclusion in this report that we reported to management of the Township in a separate letter dated May 6, 2008.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

May 6, 2008

**Liberty Township
Delaware County, Ohio
Schedule of Findings
December 31, 2006 and 2005**

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

Finding Number 2006-01

Ohio Revised Code (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 19 of 97 disbursements tested for 2005 and 61 of 89 disbursements tested for 2006 the purchase orders or blanket certificates were dated after the invoice date or the expenditure was directly charged against the appropriation.

ORC section 5705.41 also provides that if no certificate was furnished at the time that the contract was entered into, the Fiscal Officer may prepare a Then and Now Certificate stating (1) that there was at the time of the making of the contract and (2) at the time of the execution of this certificate a sufficient sum appropriated for the purpose of the contract in question in the treasury or in process of collection to the credit of the appropriate fund, free from previous encumbrances. If such a certificate can be prepared by the Fiscal Officer, the board of township trustees may authorize the issuance of a warrant in payment of the amounts due upon the contract. However, the board of township trustees must adopt the resolution for payment within thirty days after the trustees receive the certificate from the Fiscal Officer, if the amount certified by the Fiscal Officer is greater than \$3,000.

For 2005, 11 out of the 97 disbursements tested had no board approval of Then and Now Certificates for expenditures over \$3,000.

Finding Number 2006-02

ORC Section 5705.36 provides that on or about the first day of each fiscal year, the Fiscal Officer 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 filed the first amended certificate of estimated resources for 2005 in February 2006 instead of at the beginning of the fiscal year as required. In addition, the beginning balances on the first amended certificate included \$129,434 of funds that were encumbered at the end of 2004, and therefore were not available for expenditure in 2005.

**Liberty Township
Delaware County, Ohio
Schedule of Findings, continued
December 31, 2006 and 2005**

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

Finding Number 2006-02, continued

The Township filed the first amended certificate of estimated resources for 2006 in July 2006, instead of at the beginning of the fiscal year as required. Beginning balances on the first amended certificate could not be agreed to financial reports filed with the Auditor of State.

Finding Number 2006-03

ORC 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 2005, the Township adopted a permanent appropriation measure for the year, but the resolution was never filed at the County Auditor's office. The County Auditor did receive an annual appropriation measure in December 2005 for the Township, but it was not approved by Board Resolution.

Finding Number 2006-04

ORC Section 5705.41(B) provides that no money is to be expended unless it has been appropriated. Budgetary expenditures exceeded appropriation authority by \$5,550,243 and \$6,324 in the Debt Service Fund for 2006 and 2005, respectively.

Finding Number 2006-05

ORC Section 5705.34 requires that each taxing authority 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 unless a later date is approved by the tax commissioner.

For 2005 and 2006 the Township did not pass an ordinance or resolution to authorize the necessary tax levies. Also, the Township's Certification of Tax Levies was not submitted to the County Auditor for 2005.

**Liberty Township
Delaware County, Ohio
Schedule of Findings, continued
December 31, 2006 and 2005**

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

Finding Number 2006-06

ORC Section 5705.36 states that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend revenue in excess of the estimated resources. A reduced amended certificate must be obtained if the amount of the deficiency will reduce the available resources below the current level of appropriations. Actual receipts exceeded the First Amended Certificate of Estimated Resources in 2005 for the General Fund and the Gas Tax Fund and in 2006 for the General Fund, Gas Tax Fund, Fire District Fund, Park Trust Fund and Debt Service Fund. No amended certificate was obtained.

Finding Number 2006-07

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administration Code Section 117-7-01.

In 2005, the Township received a grant from the Preservation Parks and posted it in Local Government Funds, instead of Other Local Grants. Also, although posted to the appropriate fund, expenditures for park expansion and improvement projects were recorded in "General Government" and should have been recorded in "Conservation – Recreation." In 2006, the Township recorded receipts from Auto Tags as Private Purpose Trust Revenue instead of Permissive Motor Vehicle License Tax Fund.

In both 2005 and 2006, expenditures for legal fees were charged to Salary – Legal Counsel. The proper account for these fees is Accounting and Legal Fees. The Salary – Legal Counsel Account is not an appropriate account as the Uniform Accounting Network (UAN) does not require the funds to be encumbered.

Also, in 2005 and 2006, expenditures for the Township's contributions to the Public Employee Retirement Systems were charged to the General Fund. A portion of the contributions should have been allocated to the Roads and Bridges Fund for those employees whose salaries are appropriated in that fund.

Finding Number 2006-08

ORC Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

In 2005 and 2006 appropriations entered in UAN did not agree to the totals of the appropriation measure that was adopted by the Township. In 2005, UAN appropriations were higher than the appropriation measure for the Debt Service Fund and in 2006 UAN amounts were lower than the appropriation measure for the General Fund and higher for the Debt Service Fund. Inaccurate budgetary information entered into UAN could cause the Township to overspend adopted appropriations or make incorrect decisions about available expenditures.

**Liberty Township
Delaware County, Ohio
Schedule of Findings, continued
December 31, 2006 and 2005**

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

Finding Number 2006-09

ORC Section 117.38 states that cash basis entities must file annual reports with the Auditor of State within sixty days of the fiscal year end.

The Township was determined to be unauditible in July 2007 as 2006 financial information was not recorded. The records were not updated until the fall of 2007 when staff from the Auditor of State's Local Government Services assisted the Township.

Finding Number 2006-10

ORC Section 5735.29 describes allowable costs that can be disbursed using Fuel Excise Taxes. Costs are allowed for construction and maintaining of highways, roads and streets.

In 2006, the Township charged the Gasoline Tax Fund for costs for the construction of a new bike path.

Finding Number 2006-11

The Ohio Compliance Supplement refers to Internal Revenue Code Section 3402(c)(6) requiring employers obtain signed withholding certificates from employees. The personnel files examined either did not include Form W-4's and other payroll withholding forms or did not include up-to-date forms. Personnel files for recently hired employees contain the Department of Homeland Security (formerly U.S. Department of Justice Form I-9) Form I-9 Employment Eligibility Verification, while earlier files do not include the Form I-9. One of ten files examined included the State of Ohio New Hire Reporting Form 7048.

In addition, two of the ten timesheets that we examined did not include the supervisor's signature.

During our testing of payroll we noted that the Township does not have documentation to support the authorization of direct deposit for employees who request it.

Finding Number 2006-12

The Delaware County Auditor requires timely completion of budgetary filings to permit Townships to receive Local Government funds. In 2005, the Township did not receive their portion of these funds due to late filing of appropriate budgetary documents.

**Liberty Township
Delaware County, Ohio
Schedule of Findings, continued
December 31, 2006 and 2005**

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

Finding Number 2006-13

Section I-25 of the Ohio Compliance Supplement refers to portions of ORC Section 5705 and Auditor of State Bulletin 97-003 regarding the accounting treatment of inter-fund cash advances.

Inter-fund cash advances are subject to the following requirements:

1. Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the ORC. Advances on the other hand, are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment;
2. In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established;
3. The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
4. Advances must be approved by a formal resolution of the taxing authority of the subdivision. This resolution must include:
 - a) A specific statement that the transaction is an advance of cash, and
 - b) An indication of the money (fund) from which it is expected that repayment will be made.

During 2005 the Township had several advances from the General Fund, the Road and Bridge Fund and the Capital Projects Fund to the Special Levy Fund. These advances have not been repaid to the creditor funds. There also were no formal resolutions by the Board of Trustees to approve these advances.

Finding Number 2006-14

ORC Section 5705.44 states that for contracts extending beyond the fiscal year end, the Fiscal Officer of the taxing authority shall make a certification for the amount required to meet the obligation of such contract maturing in a subsequent fiscal year. The amount of the unfilled obligation under such contract shall be included in the annual appropriation measure for the next year as a fixed charge. During our search for unrecorded liabilities we noted that at December 31, 2006 no encumbrances were reported for expenses paid in 2007.

**Liberty Township
Delaware County, Ohio
Schedule of Findings, continued
December 31, 2006 and 2005**

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

Finding Number 2006-15

During our testing of non-payroll related cash disbursements we noted that 1 of the 89 disbursements tested for 2006 had no supporting documentation other than the purchase orders. In addition, many supporting documents were not timely provided to us for 2005 and 2006 and required substantial research to locate. ORC Section 149.42 states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided by the ORC. Furthermore, ORC Section 149.43 (B)(1) states that all public records shall be promptly prepared and made available to any member of the general public at all reasonable times during regular business hours for inspection. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. In order to facilitate broader access to public records, public officers shall maintain public records in such a manner that they can be made available for inspection.

Finding Number 2006-16

On June 20, 2005 the Board of Trustees met in a special session to analyze and consider a replacement contractor and authorize contracts for the Liberty Township/Powell Recreation Center Roof Project. Per the Trustee minutes, the Board passed a motion to accept the “informal” bid for the Roof Repair Project for \$249,500 charged to the General Fund, subsequently adjusted to the Capital Projects Fund. The Township was unable to provide copies of this informal bid or any other bids submitted for the Project.

Ohio Revised Code 153.50 states that awards shall be made to the bidder who is the lowest responsive and responsible bidder or the lowest and best bidder. It further says that the contract is to be made directly with the contractor upon the terms, conditions and limitations of the bid.

Township Response

As stated in the Township’s response to the December 31, 2004 and 2003 audit, the Township operations have become and continue to be complicated because of continuing, unprecedented growth. Although the Township trustees authorized through Resolution No. 06-202 on July 17, 2006 the hiring of an Assistant Fiscal Officer, an assistant was not hired until May 12, 2008. The increasing amount of work coupled with the lack of staff support caused many if not all of the Findings in this audit report.

The report cites 16 findings, which can be classified as issues with authorized expenditures, reporting procedures, computer software, and record keeping.

**Liberty Township
Delaware County, Ohio
Schedule of Findings, continued
December 31, 2006 and 2005**

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

Township Response, continued

Findings 2006-01 and 2006-04 address problems with the paper work required to authorize expenditures. These findings were caused primarily by work load and procedural errors which have been corrected.

Findings 2006-02, 2006-03, 2006-05, 2006-06, 2006-09 and 2006-12 point out problems with timely reporting of necessary information. These issues have been fixed.

Findings 2006-07, 2006-08, 2006-10, 2006-13, and 2006-14 are problems caused by trying to use the UAN accounting computer program. These findings are correctable mistakes of classifying revenues and expenses.

Findings 2006-11, 2006-15 and 2006-16 are record keeping issues. Finding 11 is being resolved. Findings 15 and 16 are being resolved by having office space where the records are now stored. These records are being organized.

The Township Trustees and Fiscal Officer believe that during the last 18 months significant progress has been made so that the Findings in this report will not be Findings in future audit reports.



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 6, 2008**