

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY**

**AUDIT REPORT**

**JANUARY 1, 2007 – DECEMBER 31, 2008**

**Wolfe, Wilson, & Phillips, Inc.  
37 South Seventh Street  
Zanesville, Ohio 43701**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Liberty Township  
71149 Old 21 Road  
Kimbolton, Ohio 43749

We have reviewed the *Independent Auditors' Report* of Liberty Township, Guernsey County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

November 4, 2009

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**LIBERTY TOWNSHIP  
GUERNSEY COUNTY**

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**WOLFE, WILSON, & PHILLIPS, INC.**  
**37 SOUTH SEVENTH STREET**  
**ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Liberty Township  
Guernsey County  
71149 Old 21 Road  
Kimbolton, Ohio 43749

We have audited the accompanying financial statements of Liberty Township, Guernsey County as of and for the years ended December 31, 2008 and 2007. 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 *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 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 prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State 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 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 paragraph, the financial statements referred to above for the years ending December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Liberty Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended..

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Liberty Township, Guernsey County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 a report dated May 26, 2009, on our consideration of Liberty Township's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
May 26, 2009

LIBERTY TOWNSHIP  
GUERNSEY COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 9,440	\$ 53,066	\$ -	\$ -	\$ 62,506
Licenses, Permits, and Fees	-	200	-	-	200
Intergovernmental	59,723	109,354	-	5,848	174,925
Earnings on Investments	341	638	-	-	979
Miscellaneous	112	950	-	-	1,062
<b>Total Cash Receipts</b>	<u>69,616</u>	<u>164,208</u>	<u>-</u>	<u>5,848</u>	<u>239,672</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	39,759	-	-	-	39,759
Public Safety	-	15,030	-	-	15,030
Public Works	2,816	160,469	-	-	163,285
Health	-	7,339	-	6,776	14,115
Capital Outlay	-	2,404	-	-	2,404
Debt Service:					
Redemption of Principal	-	-	10,000	-	10,000
Interest and Fiscal Charges	-	-	552	-	552
<b>Total Cash Disbursements</b>	<u>42,575</u>	<u>185,242</u>	<u>10,552</u>	<u>6,776</u>	<u>245,145</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	27,041	(21,034)	(10,552)	(928)	(5,473)
<b>Fund Cash Balances, January 1</b>	<u>7,180</u>	<u>70,671</u>	<u>11,951</u>	<u>3,255</u>	<u>93,057</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 34,221</u>	<u>\$ 49,637</u>	<u>\$ 1,399</u>	<u>\$ 2,327</u>	<u>\$ 87,584</u>

See notes to financial statements.

LIBERTY TOWNSHIP  
GUERNSEY COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 9,678	\$ 42,995	\$ 5,550	\$ -	\$ 58,223
Charges for Services	-	1,450	-	-	1,450
Intergovernmental	10,041	110,673	-	7,017	127,731
Earnings on Investments	482	1,374	-	-	1,856
Miscellaneous	1,942	222	-	-	2,164
<b>Total Cash Receipts</b>	<u>22,143</u>	<u>156,714</u>	<u>5,550</u>	<u>7,017</u>	<u>191,424</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	35,868	-	-	-	35,868
Public Safety	-	14,331	-	-	14,331
Public Works	2,974	149,417	-	8,925	161,316
Health	-	4,584	-	-	4,584
Capital Outlay	-	1,100	-	-	1,100
Debt Service:					
Redemption of Principal	-	5,550	5,000	-	10,550
Interest and Fiscal Charges	-	-	550	-	550
<b>Total Cash Disbursements</b>	<u>38,842</u>	<u>174,982</u>	<u>5,550</u>	<u>8,925</u>	<u>228,299</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	(16,699)	(18,268)	-	(1,908)	(36,875)
<b>Fund Cash Balances, January 1, Restated</b>	<u>23,879</u>	<u>88,939</u>	<u>11,951</u>	<u>5,163</u>	<u>129,932</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 7,180</u>	<u>\$ 70,671</u>	<u>\$ 11,951</u>	<u>\$ 3,255</u>	<u>\$ 93,057</u>

See notes to financial statements.

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Township of Liberty, Guernsey County, is a body politic and corporate 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 and a publicly elected Fiscal Officer. The Township provides general governmental services including road and bridge maintenance, cemetery maintenance and fire protection services. The Township contracts with the Liberty Community Volunteer Fire Department to provide fire protection services.

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible

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

**B. Basis of Accounting**

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

**C. Cash and Investments**

All funds are maintained in an interest-bearing checking account.

**D. Fund Accounting**

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

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Accounting (Continued)**

**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.

**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 Fund:

**Gasoline Tax Fund** – This fund receives gasoline tax receipts for constructing, maintaining and repairing Township roads and bridges.

**Road and Bridge Fund** – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

**Debt Service Funds**

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

**Note Retirement Fund** – This fund receives property tax money for the retirement of outstanding note debt to finance the purchase of a road grader.

**Capital Project Funds**

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

**Public Works Commission Projects Fund** – This fund receives Issue II money from the Guernsey County Engineer for roads maintenance.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Unencumbered appropriations lapse at year-end.

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgetary Process (Continued)**

**Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated in the subsequent year.

A Summary of 2008 and 2007 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH**

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

	<u>2008</u>	<u>2007</u>
Demand Deposits	<u>\$ 87,584</u>	<u>\$ 93,057</u>

**Deposits:**

Deposits are either 1) insured by the Federal Depository Insurance Corporation or 2) collateralized by the financial institution's public entity deposit pool.

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2008 and 2007 was as follows:

**2008 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 71,206	\$ 69,616	\$ (1,590)
Special Revenue	162,384	164,208	1,824
Debt Service	-	-	-
Capital Projects	<u>5,848</u>	<u>5,848</u>	<u>-</u>
Total	<u>\$ 239,438</u>	<u>\$ 239,672</u>	<u>\$ 234</u>

**2008 Budgeted vs. Actual Budgetary Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 78,386	\$ 42,575	\$ 35,811
Special Revenue	233,055	185,242	47,813
Debt Service	11,951	10,552	1,399
Capital Projects	<u>9,103</u>	<u>6,776</u>	<u>2,327</u>
Total	<u>\$ 332,495</u>	<u>\$ 245,145</u>	<u>\$ 87,350</u>

**2007 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 20,198	\$ 22,143	\$ 1,945
Special Revenue	148,695	156,714	8,019
Debt Service	5,550	5,550	-
Capital Projects	<u>7,017</u>	<u>7,017</u>	<u>-</u>
Total	<u>\$ 181,460</u>	<u>\$ 191,424</u>	<u>\$ 9,964</u>

**2007 Budgeted vs. Actual Budgetary Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 44,116	\$ 38,842	\$ 5,274
Special Revenue	237,595	174,982	62,613
Debt Service	17,501	5,550	11,951
Capital Projects	<u>12,181</u>	<u>8,925</u>	<u>3,256</u>
Total	<u>\$ 311,393</u>	<u>\$ 228,299</u>	<u>\$ 83,094</u>

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**3. BUDGETARY ACTIVITY (CONTINUED)**

Contrary to ORC Section 5705.36, the Township had one fund in which appropriations were greater than unencumbered balance plus actual receipts which should have resulted in getting a new certificate of estimated resources.

Contrary to ORC Section 5705.41(D), the Township had several expenditures where the invoice was dated prior to the fiscal certificate.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding 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 payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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

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

**5. RETIREMENT SYSTEMS**

The Township's Trustees, Clerk and other employees of the Township belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement health care, 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 2008 and 2007, members of PERS contributed 10.0% and 9.5% of their gross salaries, respectively. The Township contributed an amount equal to 14.00% and 13.85% of participants' gross salaries, respectively. The Township has paid all contributions required through December 31, 2008.

**6. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**6. RISK MANAGEMENT (CONTINUED)**

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, The Travelers Indemnity Company reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members total insurable value. If the stop-loss is reached by payment of losses between \$100,000 and \$300,000, in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007, the latest information available.

	2007	2006
Assets	\$ 43,210,703	\$ 42,042,275
Liabilities	(13,357,837)	(12,120,661)
Retained Earnings	\$ 29,852,866	\$ 29,921,614

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$9,312. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph.

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS**

**6. RISK MANAGEMENT (CONTINUED)**

Based on discussion with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Townships contributions to OTARMA for the past three years are as follows:

Contributions to OTARMA	
2008	\$ 4,656
2007	\$ 4,400
2006	\$ 5,273

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

**7. RESTATEMENT OF FUND BALANCES**

For the year ended December 31, 2006, an adjustment resulted in fund balance restatements.

	Fund Balances at December 31, 2006	Restatement Amount	Fund Balances at January 1, 2007
Governmental Funds:			
Special Revenue	\$ 94,102	\$ (5,163)	\$ 88,939
Capital Projects	-	5,163	5,163
	\$ 94,102	\$ -	\$ 94,102

The change in the fund balances for the above funds were the result of the Public Works Commission Fund being included as a Special Revenue Fund at December 31, 2006. The Public Works Commission Fund should be classified as a Capital Projects Fund.

**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Liberty Township  
Guernsey County  
71149 Old 21 Road  
Kimbolton, Ohio 4343749

We have audited the financial statements of Liberty Township, Guernsey County, Ohio, as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated May 26, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We 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 Liberty Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control 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 a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

Finding number 2008-002, 2008-003 and 2008-004 in the Schedule of Findings are considered to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control. However, we do not believe that the significant deficiency described above is a material weakness.

We also noted other matters involving internal control over financial reporting, which we have reported to the management of Liberty Township in a separate letter dated May 26, 2009.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Liberty 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings and responses as item 2008-001 and 2008-003. We also we noted certain immaterial instances of noncompliance that we have reported to the management of Liberty Township in a separate letter dated May 26, 2009.

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

This report is intended for the information of the Township's management, fiscal officer, and Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
May 26, 2009

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008**

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

**FINDING NUMBER 2008-001**

**Noncompliance Citation**

Ohio Revised Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of Fiscal Officer of the subdivision. The Fiscal Officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Prior certification was not obtained for 41.0% in 2008 and 18.9% in 2007 of the expenditures tested.

The Fiscal Officer should certify funds before each payment is made through the issuance of a regular, blanket, or super blanket purchase order. Blanket certificates should be issued for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of council against any specific line item account over a period not running beyond the end of the current fiscal year. A super blanket purchase order can be completed for any amount for expenditures and contracts from a specific line item appropriation account in a specified fund for most recurring or reasonable predictable operating expenditures. This is not to extend beyond the current year. More than one super blanket may be outstanding at one particular time for a particular line item appropriation account.

Also, as an alternative, the Township can issue then and now certificates for expenses up to \$3,000. Then and now certificates allow the Fiscal Officer to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the Fiscal Officer without subsequent authorization from the Council. However, then and now certificates issued by the Fiscal Officer over \$3,000, must be authorized by the Council within thirty days after payment.

**Client Response:** We agree with finding and will try to improve in the future.

**FINDING NUMBER 2008-002**

**Significant Deficiency**

The Township recorded the Public Works Commission Fund as a Special Revenue Fund for the year ended December 31, 2006, which was incorrect. Therefore, as of January 1, 2007, fund balances were restated to show this fund as a Capital Projects Fund.

We recommend that in the future the Township have controls in place to monitor the classification of funds more closely.

**Client Response:** We agree with finding and will try to improve in the future.

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS (Continued)  
DECEMBER 31, 2008**

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

**FINDING NUMBER 2008-003**

**Noncompliance Citation/Significant Deficiency**

Ohio Revised Code Section 5705.10 states that all monies derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund. The Township had recorded a portion of the gas tax received into the Debt Service Fund which is in violation of the above section of the Ohio Revised Code.

We recommend that all gas tax received be recorded in the Gas Tax Fund as required.

**Client Response:** We agree with finding and will try to improve in the future.

**FINDING NUMBER 2008-004**

**Significant Deficiency**

Based on Finding Number 2008-003, the Township had to make any adjustment between the Debt Service Fund and the Gas Tax Fund for the monies recorded in the Debt Service Fund and an adjustment to record the debt payment correctly. This was made to the Township records for the year ended December 31, 2008.

We recommend the Township post gas tax receipts correctly, therefore no further adjustments should have to be made for these transactions.

**Client Response:** We agree with finding and will try to improve in the future.

**LIBERTY TOWNSHIP  
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2008**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2006-001	OAC 117-2-02(A) Maintaining Sufficient Accounting Records	Yes	Finding No Longer Valid
2006-002	OAC 117-2-02(C)(1) Budgetary Accounting System	Yes	Finding No Longer Valid
2006-003	ORC 5705.41(D) Fiscal Certificates Dated After Invoices	No	Not Corrected - Refer to Finding 2008-001.



Mary Taylor, CPA  
Auditor of State

**LIBERTY TOWNSHIP**

**GUERNSEY 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 17, 2009**