

Liberty Township

Adams County

January 1, 2008 through December 31, 2009

Years Audited Under GAGAS: 2008 and 2009



**Caudill & Associates, CPA's**

725 5<sup>th</sup> Street Portsmouth, OH 45662

P: 740.353.5171 | F: 740.353.3749

[www.caudillepa.com](http://www.caudillepa.com)





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Liberty Township  
8868 State Route 136  
P O Box 155  
West Union, Ohio 45693

We have reviewed the *Independent Auditor's Report* of Liberty Township, Adams County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2008 through December 31, 2009. 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 Auditor's 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 Auditor's 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

October 29, 2010

**This Page is Intentionally Left Blank.**

**Liberty Township**  
**Adams County**  
*Table of Contents*  
*For the Years Ended December 31, 2009 and 2008*

---

<u>Title</u>	<u>Page</u>
Independent Auditor's Report.....	1-2
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2009.....	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types - For the Year Ended December 31, 2008.....	4
Notes to the Financial Statements .....	5-10
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	11-12
Schedule of Findings and Responses .....	13-14
Schedule of Prior Audit Findings .....	15



## Caudill & Associates, CPA's

725 5<sup>th</sup> Street Portsmouth, OH 45662  
P: 740.353.5171 | F: 740.353.3749  
www.caudillepa.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

### Independent Auditor's Report

Liberty Township  
Adams County  
8688 State Route 136  
West Union, Ohio 54693

To the Township Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Adams County, (the Township) as of and for the years ended December 31, 2009 and 2008. 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, 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, Adams County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Liberty Township  
Adams County  
Independent Auditor's Report

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 June 30, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's  
June 30, 2010

**Liberty Township**  
**Adams County**  
*Combined Statement of Cash Receipts, Cash Disbursements and  
Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2009*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts:				
Property and Local Taxes	\$ 18,527	\$ 32,634	\$ -	\$ 51,161
Intergovernmental	28,010	110,193	-	138,203
Earnings on Investments	212	106	-	318
Miscellaneous	14,122	6,050	-	20,172
<b>Total Cash Receipts</b>	<b>60,871</b>	<b>148,983</b>	<b>-</b>	<b>209,854</b>
Cash Disbursements:				
Current:				
General Government	59,648	23,506	-	83,154
Public Safety	-	15,427	-	15,427
Public Works	-	91,158	-	91,158
Health	-	25,059	-	25,059
Debt Service:				
Redemption of Principal	10,000	-	-	10,000
<b>Total Cash Disbursements</b>	<b>69,648</b>	<b>155,150</b>	<b>-</b>	<b>224,798</b>
<b>Total Receipts (Under) Disbursements</b>	<b>(8,777)</b>	<b>(6,167)</b>	<b>-</b>	<b>(14,944)</b>
Other Financing Receipts:				
Sale of Notes	16,950	39,550	-	56,500
<b>Total Other Financing Receipts</b>	<b>16,950</b>	<b>39,550</b>	<b>-</b>	<b>56,500</b>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	8,173	33,383	-	41,556
Fund Cash Balances, January 1	11,610	114,704	4,404	130,718
Fund Cash Balances, December 31	<u>\$ 19,783</u>	<u>\$ 148,087</u>	<u>\$ 4,404</u>	<u>\$ 172,274</u>

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

**Liberty Township**  
**Adams 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	Permanent	
Cash Receipts:				
Property and Local Taxes	\$ 18,527	\$ 34,133	\$ -	\$ 52,660
Intergovernmental	33,177	114,397	-	147,574
Earnings on Investments	343	400	-	743
Miscellaneous	16,046	651	-	16,697
<b>Total Cash Receipts</b>	<b>68,093</b>	<b>149,581</b>	<b>-</b>	<b>217,674</b>
Cash Disbursements:				
Current:				
General Government	61,552	16,892	-	78,444
Public Safety	-	10,011	-	10,011
Public Works	-	76,286	-	76,286
Health	443	10,159	-	10,602
Debt Service:				
Redemption of Principal	8,958	-	-	8,958
Interest and Fiscal Charges	307	-	-	307
<b>Total Cash Disbursements</b>	<b>71,260</b>	<b>113,348</b>	<b>-</b>	<b>184,608</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(3,167)</b>	<b>36,233</b>	<b>-</b>	<b>33,066</b>
Other Financing Disbursements:				
Other Financing Uses	(4)	-	-	(4)
<b>Total Other Financing Disbursements</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>(4)</b>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,171)	36,233	-	33,062
Fund Cash Balances, January 1 (Restated)	14,781	78,471	4,404	97,656
Fund Cash Balances, December 31	<u>\$ 11,610</u>	<u>\$ 114,704</u>	<u>\$ 4,404</u>	<u>\$ 130,718</u>

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

**Liberty Township**  
**Adams County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

---

**Note 1 – Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Liberty Township Adams County, (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Village of West Union for fire protection.

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

**B. Basis of Accounting**

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

These statements adequately disclose material matters, as the Auditor of State prescribes or permits.

**C. Cash Deposits**

The Township funds are deposited in an interest-bearing checking account. All deposits are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds of 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 for constructing, maintaining, and repairing Township roads.

*Cemetery Fund* - This fund receives property tax money to maintain the cemeteries.

*Permissive Motor Vehicle License Tax* – Receives money from all motor vehicle licenses sold in the Township and is used for constructing, maintaining, and repairing Township roads.

**Liberty Township**  
**Adams County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**3. Permanent Fund**

This fund received four \$1,000 Series HH Treasury Bonds, which were left as part of a bequest in 1982.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**2. 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.

**3. 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 reappropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**Note 2 – Equity in Pooled Cash and Investments**

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

	2009	2008
Demand Deposits	\$168,274	\$ 126,718
Series HH Bonds	4,000	4,000
Total Deposit	<u>\$172,274</u>	<u>\$ 130,718</u>

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

**Liberty Township**  
**Adams County**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2009 and 2008

---

**Note 2 – Equity in Pooled Cash and Investments(Continued)**

**Investments:** The Township has four \$1,000 Series HH Treasury Bonds, which were left as part of a bequest in 1982. The bonds matured in 2002, however, no action was taken by the Township because there is a legal document dictating the investment of money. Since the bonds matured in 2002, no interest has been received.

**Note 3 – Budgetary Activity**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$93,407	\$77,821	\$(15,586)
Special Revenue	152,596	188,533	35,937
Total	\$246,003	\$266,354	\$20,351

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$93,942	\$69,648	\$24,294
Special Revenue	299,195	155,150	144,045
Total	\$393,137	\$224,798	\$168,339

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,970	\$68,093	\$2,123
Special Revenue	192,067	149,581	(42,486)
Total	\$258,037	\$217,674	\$(40,363)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$82,874	\$71,264	\$11,610
Special Revenue	229,423	113,348	116,075
Total	\$312,297	\$184,612	\$127,685

**Note 4 - Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**Liberty Township**  
**Adams County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

---

**Note 4 - Property Tax (Continued)**

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

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

**Note 5 - Debt**

The Township's long-term debt outstanding at December 31, 2009 was as follows:

	Principal Outstanding 12/31/09
Unsecured Loan	\$46,500

The Township issued loans to finance the back taxes that were due to the various agencies.

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

Year Ending December 31:	Community Building Bond Principal	Interest
2010	\$5,984	\$2,650
2011	6,264	2,369
2012	6,552	2,081
2013	6,865	1,768
2014	7,187	1,448
2015-2017	13,648	1,867
Total	\$46,500	\$12,183

**Note 6 – Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

**Note 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 Worker's Compensation.

**Liberty Township**  
**Adams County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

---

**Note 7 – Risk Management (Continued)**

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. American Risk Pool Consultants, Inc. (APRCO), a division of York Insurance Services Group, Inc (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by APRCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

*Casualty and Property Coverage*

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

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

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):

	2008	2007
Assets	\$40,737,740	\$43,210,703
Liabilities	12,981,818	13,357,837
Retained Earnings	\$27,755,922	\$29,852,866

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 million and \$12.5 million of estimated incurred claims payable. The assets and net assets above also include approximately \$10.9 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, 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 futures years is approximately \$2,000.

Based on discussions 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.

Contributions to OTARMA	
2009	\$2,702
2008	3,760

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

**Liberty Township**  
**Adams County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

---

**Note 7 – Risk Management (Continued)**

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.

**Note 8 – Compliance**

- (1) During 2008 and 2009, the Township did not properly certify the availability of funds prior to obligation as required by Ohio Revised Code 5705.41(D).
- (2) During 2008, the Township overpaid a Trustee by \$225. This was contrary to Ohio Revised Code 505.24(A). This was repaid by the Trustee in 2010.
- (3) During 2008, the Township overpaid the Fiscal Officer by \$203. This was contrary to Ohio Revised Code Section 507.09. This error was discovered by the Fiscal Officer and repaid in 2009.

**Note 9 – Restatement**

Special Revenue Funds were restated to void long outstanding checks. The restatement had the following effect on fund balance:

Fund Balance, December 31, 2007	\$76,473
Restatement	<u>1,998</u>
Restated Fund Balance, December 31, 2007	\$78,471



## Caudill & Associates, CPA's

725 5<sup>th</sup> Street Portsmouth, OH 45662

P: 740.353.5171 | F: 740.353.3749

www.caudillcpa.com

---

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

### **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  
Adams County  
8688 State Route 136  
West Union, Ohio 54693

To the Township Board of Trustees:

We have audited the financial statements of Liberty Township, Adams County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 30, 2010, 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness..

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected. We consider finding 2009-004 described in the accompanying schedule of findings and responses to be a material weakness.

Liberty Township

Adams County

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*

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 30, 2010.

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

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

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's  
June 30, 2010

**Liberty Township**

*Schedule of Findings and Responses  
For the Years Ended December 31, 2009 and 2008*

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

**Finding Number 2009-001**

**Noncompliance Citation - Proper Encumbrance of Funds**

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances.

The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that she is completing her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Forty-three percent of non-payroll disbursements tested in 2008 and fifty-five percent of non-payroll disbursements in 2009 were not encumbered prior to commitment in accordance with the Ohio Revised Code. We recommend the Township adopt the appropriate procedures to ensure that encumbrances are certified timely in accordance with the Ohio Revised Code, or that exceptions are utilized as appropriate.

**Township Response:**

No response from Township Officials.

**Finding Number 2009-002**

**Material Non-Compliance – Payment of Township Trustees**

Ohio Revised Code Section 505.24 (A) requires Township Trustees be compensated on either a per diem or salary basis. The amount of compensation allowed varies with the Township budget, as outlined in the section.

Budget amounts used should be the amount of money that the budget commission certifies that the Township would have available for expenditures during the fiscal year, as shown on the latest amended official certificate of estimated resources of that year.

Contrary to this requirement, a Township Trustees was overpaid by \$225 in 2008.

Failure to compensate the Township Trustees as required by this section may lead to misappropriation of township funds.

**Township Response:**

The Township Trustee made repayment to the Township on July 7, 2010.

**Liberty Township**

*Schedule of Findings and Responses  
For the Years Ended December 31, 2009 and 2008*

---

**Finding Number 2009-003**

**Material Non-Compliance – Payment of the Fiscal Officer**

Ohio Revised Code Section 507.09 sets forth the compensation levels of Township Fiscal Officer's. The amount of compensation allowed varies with the Township budget, as outlined in the section.

Budget amounts used should be the amount of money that the budget commission certifies that the township would have available for expenditures during the fiscal year, as shown on the latest amended official certificate of estimated resources of that year.

Contrary to this requirement, the Township Fiscal Officer was overpaid by \$203 in 2008.

Failure to compensate the Township Fiscal Officer as required by this section may lead to misappropriation of Township funds.

**Township Response:**

The Township Fiscal Officer made repayment of \$200 to the Township on August 10, 2009 and \$3 on October 26, 2010.

**Finding Number 2009-004**

**Significant Deficiency - Misclassification of Receipts and Disbursements**

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 115 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. The Township erroneously posted several receipts and disbursements to incorrect line items and, in limited instances, improper funds. This required reclassifications and adjustments to properly present the financial activity of the Township in both years. We recommend the Township implement control procedures related to financial reporting that enable management to identify, prevent, detect, and timely correct potential misstatements in the financial statements and footnotes.

**Township Response:**

No response from Township Officials.

**Liberty Township**

*Schedule of Prior Audit Findings  
For the Years Ended December 31, 2009 and 2008*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Ohio Revised Code Section 135.12 – Designation of depositories	Yes	N/A
2007-002	Ohio Revised Code Section 149.351 – Maintenance of records	Yes	N/A
2007-003	Ohio Revised Code Section 505.02 – Employee bonding	Yes	N/A
2007-004	Ohio Revised Code Section 4123.24 – Maintenance of payroll records	Yes	N/A
2007-005	Ohio Revised Code Section 4123.26 – Maintenance of BWC records	Yes	N/A
2007-006	Ohio Revised Code Section 5705.39 – Appropriations exceeding estimated revenue	No	Reissued in management letter.
2007-007	Ohio Revised Code Section 5705.40 – Appropriation amendments	Yes	N/A
2007-008	Ohio Revised Code Section 5705.41(D) – Prior encumbrance of funds	No	Reissued as finding 2009-001
2007-009	Ohio Revised Code Sections 5747.06 and 5747.07 – State income taxes	Yes	N/A
2007-010	Title 26: Internal Revenue Code – Federal income taxes	Yes	N/A
2007-011	Ohio Revised Code Section 505.24(A) – Trustee compensation	No	Reissued as finding 2009-002
2007-012	Ohio Revised Code Section – 507.09 – Fiscal Officer compensation	No	Reissued as finding 2009-003
2007-013	Material Weakness – Internal controls	Yes	N/A
2007-014	Significant Deficiency – Payroll procedures	Yes	N/A



**Mary Taylor, CPA**  
Auditor of State

**LIBERTY TOWNSHIP**

**ADAMS 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 16, 2010**