

LIBERTY TOWNSHIP
UNION COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA

Auditor of State

Board of Trustees
Liberty Township
21840 Herd-McIlroy Road
Raymond, Ohio 43067-9704

We have reviewed the *Independent Auditors' Report* of Liberty Township, Union County, prepared by Holbrook & Manter, 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.

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

Mary Taylor, CPA
Auditor of State

August 2, 2007

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Liberty Township
Union County

We have audited the accompanying financial statements of Liberty Township, Union 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 audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 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 its larger (i.e. major) funds separately for 2006 and 2005. 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 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 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 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, Union County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 Government 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 27, 2007 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.



Certified Public Accountants

June 27, 2007

LIBERTY TOWNSHIP
UNION COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Governmental Fund Types</u>				<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Cash receipts:-					
Local taxes	\$ 124,540	\$ 227,380	\$ 0	\$ 0	\$ 351,920
Intergovernmental	80,516	103,069	0	0	183,585
Charges for services	0	301,605	0	0	301,605
Fines and forfeitures	2,459	0	0	0	2,459
Special assessments	0	8,735	0	0	8,735
Interest	34,104	3,115	0	0	37,219
Licenses, permits, and fees	4,750	2,974	0	0	7,724
Other revenue	17,180	38,373	0	0	55,553
Total cash receipts	<u>263,549</u>	<u>685,251</u>	<u>0</u>	<u>0</u>	<u>948,800</u>
Cash disbursements:-					
Current:-					
General government	120,332	4,070	0	0	124,402
Human services	19,595	0	0	0	19,595
Public health services	11,707	2,772	0	0	14,479
Public works	0	71,824	0	0	71,824
Public safety	1,448	467,493	0	0	468,941
Capital outlay	9,045	105,277	0	11,401	125,723
Total cash disbursements	<u>162,127</u>	<u>651,436</u>	<u>0</u>	<u>11,401</u>	<u>824,964</u>
Total receipts over (under) cash disbursements	<u>101,422</u>	<u>33,815</u>	<u>0</u>	<u>(11,401)</u>	<u>123,836</u>
Other financing receipts:-					
Sale of fixed assets	150	0	0	0	150
Total other financing receipts	<u>150</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>150</u>
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	101,572	33,815	0	(11,401)	123,986
Fund cash balances, January 1, 2006	<u>207,094</u>	<u>579,136</u>	<u>84</u>	<u>47,102</u>	<u>833,416</u>
Fund cash balances, December 31, 2006	<u>\$ 308,666</u>	<u>\$ 612,951</u>	<u>\$ 84</u>	<u>\$ 35,701</u>	<u>\$ 957,402</u>

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

LIBERTY TOWNSHIP
UNION COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>				<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Cash receipts:-					
Local taxes	\$ 132,076	\$ 289,745	\$ 0	\$ 0	\$ 421,821
Intergovernmental	55,878	190,612	0	0	246,490
Charges for services	0	210,046	0	0	210,046
Fines and forfeitures	5,553	0	0	0	5,553
Special assessments	0	5,295	0	0	5,295
Interest	11,692	151	0	0	11,843
Licenses, permits, and fees	9,301	976	0	0	10,277
Other revenue	13,576	7,341	0	0	20,917
Total cash receipts	228,076	704,166	0	0	932,242
Cash disbursements:-					
Current:-					
General government	139,473	5,518	0	0	144,991
Human services	18,662	0	0	0	18,662
Public health services	21,320	7,148	0	0	28,468
Public works	0	85,840	0	0	85,840
Public safety	2,938	466,844	0	0	469,782
Capital outlay	26,200	81,640	0	13,393	121,233
Total cash disbursements	208,593	646,990	0	13,393	868,976
Total receipts over (under) cash disbursements	19,483	57,176	0	(13,393)	63,266
Other financing receipts:-					
Sale of fixed assets	3,100	0	0	0	3,100
Total other financing receipts	3,100	0	0	0	3,100
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	22,583	57,176	0	(13,393)	66,366
Fund cash balances, January 1, 2005	184,511	521,960	84	60,495	767,050
Fund cash balances, December 31, 2005	\$ 207,094	\$ 579,136	\$ 84	\$ 47,102	\$ 833,416

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

LIBERTY TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

Description of the Entity - Liberty Township, Union County, (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 three publicly - elected Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services.

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 is 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 reported as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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 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 Funds:

Fire Fund

This fund receives property tax money from a specific fire levy to help cover the cost of fire protection.

Gasoline Tax Fund

This fund receives gasoline tax money for constructing, maintaining, and repairing Township roads.

Motor Vehicle License Tax Fund

This fund receives motor vehicle tax money for constructing, maintaining, and repairing Township roads.

Debt Service Fund

The debt service fund is used to accumulate resources for the payment of note indebtedness.

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).

**LIBERTY TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The Union 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 Union 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 canceled, and reappropriated in the subsequent year.

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 is not reflected as a liability under the Township's basis of accounting.

NOTE 2 - EQUITY IN POOLED CASH:-

The Township maintains a cash 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:

	2006	2005
Demand deposits	\$ 550,889	\$ 552,965
STAR Ohio	406,513	280,451
Total deposits	\$ 957,402	\$ 833,416

Deposits - The Township's deposits are insured by the Federal Depository Insurance Corporation up to \$100,000. As of December 31, 2006 and 2005, deposits over \$100,000 were collateralized by securities specifically held by a financial institution.

**LIBERTY TOWNSHIP
UNION COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2006 was as follows:

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 225,719	\$ 263,699	\$ 37,980
Special Revenue	655,810	685,251	29,441
Debt Service	0	0	0
Capital Projects	5,010	0	(5,010)
Total	\$ 886,539	\$ 948,950	\$ 62,411

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 419,875	\$ 162,127	\$ 257,748
Special Revenue	1,234,120	651,436	582,684
Debt Service	85	0	85
Capital Projects	47,231	11,401	35,830
Total	\$ 1,701,311	\$ 824,964	\$ 876,347

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained timely for 81% of expenditures tested during 2006 and 2005.

Contrary to Ohio law, estimated resources exceeded actual resources available as of December 31, 2005 by \$5,010.

**LIBERTY TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2005 was as follows:

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 220,449	\$ 231,176	\$ 10,727
Special Revenue	576,932	704,166	127,234
Debt Service	0	0	0
Capital Projects	<u>5,000</u>	<u>0</u>	<u>(5,000)</u>
Total	\$ <u>802,381</u>	\$ <u>935,342</u>	\$ <u>132,961</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 399,475	\$ 208,593	\$ 190,882
Special Revenue	1,101,030	646,990	454,040
Debt Service	85	0	85
Capital Projects	<u>60,495</u>	<u>13,393</u>	<u>47,102</u>
Total	\$ <u>1,561,085</u>	\$ <u>868,976</u>	\$ <u>692,109</u>

Contrary to Ohio law, estimated resources exceeded actual resources available as of December 31, 2005 by \$5,000.

**LIBERTY TOWNSHIP
UNION COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 4 - PROPERTY TAX:-

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 Union 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to Union 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 - RETIREMENT SYSTEMS:-

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employee plan. This plan provides retirement benefits, including post-retirement 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, PERS members contributed 9.0% and 8.5% of their gross salaries, respectively. The Township contributed an amount equal to 13.70% and 13.55% of participants' gross salaries for 2006 and 2005, respectively. The Township has paid all contributions required through December 31, 2006.

NOTE 6 - RISK POOL MANAGEMENT:-

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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



**Independent Accountants' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards***

Board of Trustees
Liberty Township
Union County

We have audited the financial statements of Liberty Township, Union County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 27, 2007, wherein we noted the Township had 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 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 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 over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting as item 2006-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting 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 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 material weaknesses. We believe none of the significant deficiencies described above are a material weakness.

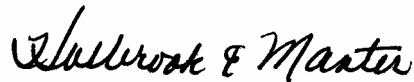
We also noted certain internal control matters that we reported to the Township's management in a separate letter dated June 27, 2007.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2006-001.

We also noted certain instances of non-compliance that we reported to the Township's management in a separate letter dated June 27, 2007.

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



Certified Public Accountants

June 27, 2007

**LIBERTY TOWNSHIP
UNION COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

Finding Number	2006-001
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Noncompliance Citation – Certification of Expenditures

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. Furthermore, contracts and orders for expenditures lacking prior certification should be null and void unless, for expenditures less than \$3,000, the board of Trustees obtains from the fiscal officer a certificate stating that there was at the time of the making of the contracts or orders a sufficient sum appropriated. The board, by resolution, then may authorize the issuance of a warrant for the payments of the amount due.

Of the 96 expenditures tested, 78 instances were noted where the purchase order (PO) certification date was after the invoice date. This could result in encumbrances and expenditures in excess of appropriations, contrary to Ohio Revised Code. We recommend that the Township Clerk certify that sufficient funds are available prior to ordering goods and services.

Officials’ Response

The Township is aware of the above issue and the current fiscal officer has corrected this during 2006 by using then and now and blanket certificates.

Finding Number	2006-002
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Significant Deficiency – Internal Control and Review Procedures

Although the Trustees receive and review a select number of reports from the Fiscal Officer of the Township for approval on a monthly basis, the Township has not established formal procedures to reasonably assure completeness, and accuracy of the monthly reporting. During our testing and analysis, we noted that the Township Trustees are not reviewing the numerical check sequence prior to signing the checks. In addition, they are not reviewing the bank statement for proper inclusion of authorized expenditures within the cancelled checks or electronic fund withdraws.

The Township should carefully review this information and make appropriate inquires to help determine the integrity of the financial information. When performing such review, the officials’ signatures or initials and the date should be affixed to the documents examined and it should be noted in the monthly minutes that the officials’ thoroughly reviewed and approved those documents. In addition, we also recommend that the numerical check sequence be noted in the minutes and signed off of by the Trustees each month.

Officials’ Response

The Townships’ Fiscal Officer will provide the bank reconciliations and bank statements to the Trustees for their review and approval at each months meeting. The Township will also document and approve the review of those reports and the numerical sequence of the checks within the monthly minutes.



Mary Taylor, CPA
Auditor of State

LIBERTY TOWNSHIP

UNION 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
AUGUST 14, 2007**