



Dave Yost • Auditor of State

LIBERTY TOWNSHIP
KNOX COUNTY

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Dave Yost • Auditor of State

Liberty Township
Knox County
6017 Mount Liberty Rd
Centerburg, Ohio 43011

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

October 20, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Liberty Township
Knox County
6017 Mount Liberty Rd
Centerburg, Ohio 43011

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2010 and 2009. 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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, 2010 and 2009 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, 2010 and 2009, 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 and reserves for encumbrances of Liberty Township, Knox County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 October 20, 2011, 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.



Dave Yost
Auditor of State

October 20, 2011

LIBERTY TOWNSHIP
KNOX COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 29,546	\$ 51,987	\$ 16,069	\$ -	\$ 97,602
Licenses, Permits, and Fees	2,046	2,302	-	-	4,348
Intergovernmental	28,460	117,829	-	42,955	189,244
Earnings on Investments	38	21	-	-	59
Miscellaneous	623	5,400	-	-	6,023
Total Cash Receipts	<u>60,713</u>	<u>177,539</u>	<u>16,069</u>	<u>42,955</u>	<u>297,276</u>
Cash Disbursements:					
Current:					
General Government	53,089	1,469	-	-	54,558
Public Safety	-	2,883	-	-	2,883
Public Works	1,842	148,282	-	42,955	193,079
Health	415	16,273	-	-	16,688
Debt Service:					
Redemption of Principal	-	-	13,740	-	13,740
Interest and Other Fiscal Charges	-	-	2,322	-	2,322
Total Cash Disbursements	<u>55,346</u>	<u>168,907</u>	<u>16,062</u>	<u>42,955</u>	<u>283,270</u>
Total Receipts Over/(Under) Disbursements	<u>5,367</u>	<u>8,632</u>	<u>7</u>	<u>-</u>	<u>14,006</u>
Other Financing Receipts / (Disbursements):					
Advances-In	3,200	3,770	-	-	6,970
Advances-Out	<u>(3,770)</u>	<u>(3,200)</u>	<u>-</u>	<u>-</u>	<u>(6,970)</u>
Total Other Financing Receipts / (Disbursements)	<u>(570)</u>	<u>570</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	4,797	9,202	7	-	14,006
Fund Cash Balances, January 1	<u>3,552</u>	<u>57,823</u>	<u>78</u>	<u>-</u>	<u>61,453</u>
Fund Cash Balances, December 31	<u>\$ 8,349</u>	<u>\$ 67,025</u>	<u>\$ 85</u>	<u>\$ -</u>	<u>\$ 75,459</u>
Reserve for Encumbrances, December 31	<u>\$ 237</u>	<u>\$ 402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 639</u>

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

LIBERTY TOWNSHIP
KNOX 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**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 29,459	\$ 52,364	\$ 16,069	\$ -	\$ 97,892
Licenses, Permits, and Fees	3,700	4,950	-	-	8,650
Intergovernmental	28,352	124,057	-	85,071	237,480
Earnings on Investments	78	86	-	-	164
Miscellaneous	2,886	9,646	-	-	12,532
Total Cash Receipts	<u>64,475</u>	<u>191,103</u>	<u>16,069</u>	<u>85,071</u>	<u>356,718</u>
Cash Disbursements:					
Current:					
General Government	65,979	-	-	-	65,979
Public Safety	-	1,922	-	-	1,922
Public Works	1,913	159,610	-	-	161,523
Health	1,900	23,877	-	85,071	110,848
Capital Outlay	1,383	-	-	-	1,383
Debt Service:					
Redemption of Principal	-	-	13,141	-	13,141
Interest and Other Fiscal Charges	-	-	2,916	-	2,916
Total Cash Disbursements	<u>71,175</u>	<u>185,409</u>	<u>16,057</u>	<u>85,071</u>	<u>357,712</u>
Total Receipts Over/(Under) Disbursements	(6,700)	5,694	12	-	(994)
Fund Cash Balances, January 1 (Restated)	10,252	52,129	66	-	62,447
Fund Cash Balances, December 31	<u>\$ 3,552</u>	<u>\$ 57,823</u>	<u>\$ 78</u>	<u>\$ -</u>	<u>\$ 61,453</u>

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

**LIBERTY TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 the Liberty Township, Knox County, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Central Ohio Joint Fire District to provide fire and emergency services. Police protection is provided by the Knox County Sheriff's Department.

The Township participates in one jointly governed organization and the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township maintains an interest bearing checking account.

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 from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**LIBERTY TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Road and Bridge Fund - This fund receives property tax money to pay for constructing, maintaining, and repairing Township roads.

3. Debt Service Fund

This fund accounts for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Debt Service Fund - This fund receives property tax money to pay the general obligated debt for road equipment.

4. Capital Project Fund

This fund accounts 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:

Issue II Fund - The Township received a grant from the State of Ohio to replace Township roads.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

**LIBERTY TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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 2010 and 2009 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.

2. Equity in Pooled Deposits

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

	2010	2009
Demand deposits	\$75,459	\$61,453

Deposits: Deposits are insured by the Federal Depository Insurance Corporation

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$76,907	\$60,713	(\$16,194)
Special Revenue	158,374	177,539	19,165
Debt Service	16,069	16,069	0
Capital Project	0	42,955	42,955
Total	\$251,350	\$297,276	\$45,926

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,469	\$55,583	\$24,886
Special Revenue	216,197	169,309	46,888
Debt Service	16,148	16,062	86
Capital Project	0	42,955	(42,955)
Total	\$312,814	\$283,909	\$28,905

**LIBERTY TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,638	\$64,475	(\$15,163)
Special Revenue	164,351	191,103	26,752
Debt Service	16,069	16,069	0
Capital Project	0	85,071	85,071
Total	\$260,058	\$356,718	\$96,660

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,409	\$71,175	\$18,234
Special Revenue	215,912	185,409	30,503
Debt Service	16,135	16,057	78
Capital Project	0	85,071	(85,071)
Total	\$321,456	\$357,712	(\$36,256)

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted 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.

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.

5. Debt

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Road Equipment Notes	\$41,581	4.2%

**LIBERTY TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. Debt (Continued)

In 2008, the Township issued general obligation bonds to finance the purchase of road equipment. In 2009, the Township paid off the Dump Truck Notes. The Township's taxing authority collateralized the bonds.

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

Year ending December 31:	General Obligation Equipment Notes
2011	\$11,579
2012	11,579
2013	11,579
2014	11,579
Total	\$46,316

6. Retirement Systems

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

7. Risk Management

Risk Pool Membership

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. American Risk Pooling Consultants, Inc. (ARPCO), 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 ARPCO. 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
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Risk Management (Continued)

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, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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.

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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$3,000

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.

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
\$2,873	\$4,534

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.

**LIBERTY TOWNSHIP
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

8. Jointly Governed Organizations

The Central Ohio Joint Fire District (the District) is a jointly governed organization pursuant to Ohio Revised Code section 505.371. The District was formed in 2000 and consists of Hilliar, Milford, and Liberty Townships and the Village of Centerburg. The District Board consists of a Trustee from each Township, a Council Member from the Village of Centerburg and an at-large member appointed by vote by the District Board. Revenues are generated from an operating levy.

9. Restatement of Prior Year Balances

	12/31/2008	Restatement	1/1/2009
	Audited Balance		Restated Balance
General Fund	464	9,788	10,252
Special Revenue Funds	61,917	(9,788)	52,129

The Township reviewed the fiscal year 2008 expenditure ledger and reallocated several allowable expenditures from their General Fund to the Gasoline Tax fund. This was approved by the Board of Trustees through a retroactive resolution.

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Dave Yost • Auditor of State

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

Liberty Township
Knox County
6017 Mount Liberty Rd
Centerburg, Ohio 43011

To the Board of Trustees:

We have audited the financial statements of Liberty Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated October 20, 2011 wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits, rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001 and 2010-002 described in the accompanying schedule of findings to be material weaknesses.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 20, 2011.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 20, 2011

**LIBERTY TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Material Noncompliance/Material Weakness – Homestead & Rollback Posting Allocation

Ohio Revised Code § 5705.10(C) states that all revenue that is derived from a special levy is to be credited to a special fund for the purpose for which the levy is made. Additionally, section (D) states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

During fiscal year 2010, the Township did not post any homestead and rollback receipts to the Road & Bridge or Cemetery funds in accordance to millage levied for each fund for the 1st half settlement. This resulted in findings for adjustment of \$3,767 and \$1,208 respectively from the General Fund to the Road and Bridge Fund and Cemetery Fund.

The Fiscal Officer should be diligent in assuring funds are properly posted to the correct fund in accordance with the Township's Uniform Accounting Network (UAN) coding system and the Ohio Revised Code.

The Township's Fiscal Officer made the adjustments to the Township's records and the adjustments are reflected in the accompanying financial statements.

FINDING NUMBER 2010-002

Material Noncompliance / Material Weakness

Ohio Revised Code § 5705.09 states that each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. In addition Auditor of State Bulletin 2002-004 states that when receiving monies from Ohio Public Works Commission, the entity is to establish a capital projects fund to account for the monies and local matching funds. It is not necessary to obtain authorization from the Auditor of State to establish the fund because the authority exists under Section 5705.09. The purpose of the fund is to account for the related revenues and expenditures to the extent the entity has received benefit from the project.

Additionally, **Ohio Revised Code § 5705.42** indicates Federal and State grants or loans are "deemed appropriated for such purpose by the taxing authority" as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection. "Deemed an appropriation" under this section means the Federal or State government has already appropriated and established the purpose(s) for which a government can spend monies received from Federal or State grants and loans. The taxing authority cannot deviate from this purpose; the taxing authority can only resolve to spend the money for a purpose already prescribed in a contract, grant agreement, loan agreement, etc. Therefore, Federal and State grants and loans received under Ohio Rev. Code Section 5705.42 do not require formal appropriation by the legislative body. In other words, Ohio Rev. Code Section 5705.42 effectively eliminates an unnecessary appropriation action by the taxing authority. However, Ohio Rev. Code Section 5705.42 directs the fiscal officer to record the appropriation amount in the accounting system. The fiscal officer should also include the appropriated amounts on the (amended) certificate to properly monitor budget versus actual activity.

**LIBERTY TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-002 (Continued)

Material Noncompliance / Material Weakness (Continued)

In 2010, the Township received \$85,071 from the Ohio Public Works Commission and in 2009, the Township received \$42,955. The monies were not posted on the Township's ledgers and should have been receipted into a capital projects fund. Additionally, the Township should have posted the appropriations into their accounting system and obtained an amended certificate of estimated resources from the County Auditor.

We proposed audit adjustments for 2010 and 2009 for the Township to post all Ohio Public Works Commission financial activity to a capital project fund. These adjustments are reflected on the December 31, 2010 and December 31, 2009 financial statements and have been posted by the Townships to their accounting records. The Township should ensure that all future Ohio Public Works projects are properly accounted for in a capital projects fund.

We did not receive officials' responses to the findings denoted above.

**LIBERTY TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Revised Code § 5705.41(D)(1) -Prior Certification of Obligations	No	Reissued in the Management Letter

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Dave Yost • Auditor of State

LIBERTY TOWNSHIP

KNOX 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 22, 2011**