



**Auditor of State  
Betty Montgomery**



LIBERTY TOWNSHIP  
CLINTON COUNTY

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**Auditor of State  
Betty Montgomery**

Liberty Township  
Clinton County  
7277 North State Route 134  
Wilmington, Ohio 45177

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 a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

November 8, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Liberty Township  
Clinton County  
7277 North State Route 134  
Wilmington, Ohio 45177

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Clinton County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004. 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(B) and 115.56 mandate 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 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, 2005 and 2004, 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, Clinton County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 November 8, 2006, 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.



**Betty Montgomery**  
Auditor of State

November 8, 2006



LIBERTY TOWNSHIP  
CLINTON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 83,353	\$ 131,593	\$ -	\$ -	\$ 214,946
Licenses, Permits, and Fees	-	5,703	-	-	5,703
Intergovernmental	10,296	101,481	-	-	111,777
Special Assessment	-	886	-	-	886
Earnings on Investments	471	117	-	4	592
Miscellaneous	17	8,150	120	-	8,287
<b>Total Cash Receipts</b>	<u>94,137</u>	<u>247,930</u>	<u>120</u>	<u>4</u>	<u>342,191</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	46,735	-	-	-	46,735
Public Safety	-	86,650	-	-	86,650
Public Works	13,500	145,658	-	-	159,158
Health	1,400	6,749	-	-	8,149
Capital Outlay	1,800	17,212	17,608	-	36,620
<b>Total Cash Disbursements</b>	<u>63,435</u>	<u>256,269</u>	<u>17,608</u>	<u>-</u>	<u>337,312</u>
<b>Total Receipts Over (Under) Disbursements</b>	<u>30,702</u>	<u>(8,339)</u>	<u>(17,488)</u>	<u>4</u>	<u>4,879</u>
<b>Fund Cash Balances, January 1</b>	<u>43,636</u>	<u>128,444</u>	<u>35,241</u>	<u>1,572</u>	<u>208,893</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 74,338</b></u>	<u><b>\$ 120,105</b></u>	<u><b>\$ 17,753</b></u>	<u><b>\$ 1,576</b></u>	<u><b>\$ 213,772</b></u>

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

LIBERTY TOWNSHIP  
CLINTON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 64,005	\$ 132,014	\$ 0	\$ 0	\$ 196,019
Licenses, Permits, and Fees	-	7,390	-	-	7,390
Intergovernmental	22,891	100,576	-	-	123,467
Special Assessment	-	1,045	-	-	1,045
Earnings on Investments	168	41	-	-	209
Miscellaneous	768	2,047	-	-	2,815
<b>Total Cash Receipts</b>	<u>87,832</u>	<u>243,113</u>	<u>0</u>	<u>0</u>	<u>\$ 330,945</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	54,866	-	-	-	54,866
Public Safety	-	41,731	-	-	41,731
Public Works	4,645	123,533	-	-	128,178
Health	-	2,716	-	-	2,716
Capital Outlay	100	39,830	-	-	39,930
<b>Total Cash Disbursements</b>	<u>59,611</u>	<u>207,810</u>	<u>-</u>	<u>-</u>	<u>267,421</u>
<b>Total Receipts Over Disbursements</b>	28,221	35,303	0	0	63,524
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Fixed Assets	-	428	35,001	-	35,429
Advances-In	580	580	-	-	1,160
Advances-Out	(580)	(580)	-	-	(1,160)
<b>Total Other Financing Receipts/(Disbursements)</b>	-	428	35,001	-	35,429
<b>Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements</b>	<u>28,221</u>	<u>35,731</u>	<u>35,001</u>	<u>0</u>	<u>98,953</u>
<b>Fund Cash Balances, January 1</b>	<u>15,415</u>	<u>92,713</u>	<u>240</u>	<u>1,572</u>	<u>109,940</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 43,636</b></u>	<u><b>\$ 128,444</b></u>	<u><b>\$ 35,241</b></u>	<u><b>\$ 1,572</b></u>	<u><b>\$ 208,893</b></u>

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

**LIBERTY TOWNSHIP  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**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, Clinton 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 Village of Port William to provide fire services and ambulance services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting 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. Cash and Deposits**

The Township funds are deposited in a business "NOW" checking account and a CD with a local commercial bank. Interest income is distributed to Township funds based upon the Ohio statutes.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash 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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

Special Levy Fire Fund - This fund receives proceeds from the property tax fire levy for providing fire and emergency services protection to Township residents.

**LIBERTY TOWNSHIP  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

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

**3. Capital Project Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds.) The Township had the following significant capital project fund:

Permanent Improvement Fund – This fund was established to account for the permanent improvements of Township property.

**4. Fiduciary Fund (Nonexpendable Trust Fund)**

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following fiduciary fund:

Cemetery Bequest Fund – This fund was established to account for the Funds bequeathed to the Township for cemetery care.

**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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2005 and 2004 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.

**LIBERTY TOWNSHIP  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH AND DEPOSITS**

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

	2005	2004
Demand deposits	\$212,372	\$208,893
Certificates of deposit	1,400	0
Total deposits	\$ 213,772	\$ 208,893

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,236	\$94,137	\$28,901
Special Revenue	233,925	247,930	14,005
Capital Projects	0	120	120
Fiduciary	0	4	4
Total	\$299,161	\$342,191	\$43,030

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$96,832	\$63,435	\$33,397
Special Revenue	304,493	256,269	\$48,224
Capital Projects	20,000	17,608	\$2,392
Fiduciary	0	0	\$0
Total	\$421,325	\$337,312	\$84,013

**LIBERTY TOWNSHIP  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$85,534	\$87,832	\$2,298
Special Revenue	242,575	243,541	966
Capital Projects	35,001	35,001	0
Total	\$363,110	\$366,374	\$3,264

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$69,084	\$59,611	\$9,473
Special Revenue	257,156	207,810	49,346
Fiduciary	1,400	0	1,400
Total	\$327,640	\$267,421	\$60,219

**4. PROPERTY TAX**

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

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. RETIREMENT SYSTEMS**

Elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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 2005 and 2004, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

**LIBERTY TOWNSHIP  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**6. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

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

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**Auditor of State  
Betty Montgomery**

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

Liberty Township  
Clinton County  
7277 North State Route 134  
Wilmington, Ohio 45177

To the Board of Trustees:

We have audited the financial statements of Liberty Township, Clinton County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 8, 2006, 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 also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider a material weakness. In a separate letter to the Township's management dated November 8, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Township's management dated November 8, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Liberty Township  
Clinton County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee and management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

November 8, 2006

**LIBERTY TOWNSHIP  
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEARS ENDED DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2003-001	Clerk illegally transferred \$25,000 to Village of Port William. Finding for Recovery issued for \$5,000 against the Village of Port William and former clerk, Michelle Ellis. Repaid under audit.	Yes	
2003-002	Finding for Recovery issued against former clerk, Michelle Ellis for overpayment of salary. Repaid under audit.	Yes	
2003-003	Ohio Rev. Code Section 507.04, the Clerk failed to keep accurate records.	Yes	
2003-004	The availability of funds was not certified for certain commitments.	No	Partially corrected. Reissued in the 2005-2004 management letter
2003-005	Ohio Rev. Code Section 5705.39, appropriations exceeded estimated revenue. Appropriation ledgers were not properly maintained.	Yes	
2003-006	Lack of supporting documentation for expenditures.	Yes	
2003-007	Deficiencies in controls, procedures and accuracy related to the Township disbursements.	Yes	
2003-008	Deposits were not deposited on a timely basis.	Yes	
2003-009	Lack of compensating controls to address lack of adequate segregation of duties.	No	Partially corrected. The reconciliation process is addressed in the 2005-2004 management letter.
2003-010	Payments were not remitted to IRS, PERS or the State of Ohio.	Yes	
2003-011	Expenditures exceeded appropriations.	Yes	





**Auditor of State  
Betty Montgomery**

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**LIBERTY TOWNSHIP**

**CLINTON 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 28, 2006**