



**LIBERTY TOWNSHIP
DELAWARE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA
Auditor of State

LIBERTY TOWNSHIP
DELAWARE COUNTY

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Mary Taylor, CPA
Auditor of State

Liberty Township
Delaware County
10104 Brewster Lane, Suite 125
Powell, Ohio 43065

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 statement due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township to prepare a financial statement pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statement in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement presents are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 15, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Liberty Township
Delaware County
10104 Brewster Lane, Suite 125
Powell, Ohio 43065

To the Board of Trustees:

We have audited the accompanying financial statement of Liberty Township, Delaware County, Ohio (the Township) as of and for the year ended December 31, 2007. This financial statement is the responsibility of the Township's management. Our responsibility is to express an opinion on this financial statement 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 statement is 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 this financial statement 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 statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statement presents, 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 statement does 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 statement referred to above for the year ended December 31, 2007 does 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, 2007, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Liberty Township, Delaware County, Ohio as of December 31, 2007, and its combined cash receipts and disbursements for the year 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 statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2008, 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.



Mary Taylor, CPA
Auditor of State

September 15, 2008

**LIBERTY TOWNSHIP
DELAWARE 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, 2007**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fiduciary	
Cash Receipts:						
Property and Other Local Taxes	\$ 1,061,187	\$ 5,756,932	\$ 426,535	\$ -	\$ -	\$ 7,244,654
Licenses, Permits, and Fees	159,890	4,100	-	-	-	163,990
Intergovernmental	327,830	880,555	50,971	-	-	1,259,356
Earnings on Investments	306,014	2,421	-	-	726	309,161
Miscellaneous	188,779	225,949	-	-	-	414,728
Total Cash Receipts	2,043,700	6,869,957	477,506	-	726	9,391,889
Cash Disbursements:						
Current:						
General Government	1,693,604	-	-	-	-	1,693,604
Public Safety	-	5,535,853	-	-	-	5,535,853
Public Works	145,605	1,219,691	-	-	-	1,365,296
Health	2,426	-	-	-	-	2,426
Conservation - Recreation	337,540	-	6,376	245,337	-	589,253
Capital Outlay	264,381	190,575	-	84,775	1,086	540,817
Debt Service:						
Redemption of Principal	-	-	235,001	-	-	235,001
Interest and Other Fiscal Charges	-	-	206,203	15,000	-	221,203
Total Cash Disbursements	2,443,556	6,946,119	447,580	345,112	1,086	10,183,453
Total Receipts Over/(Under) Disbursements	(399,856)	(76,162)	29,926	(345,112)	(360)	(791,564)
Other Financing Receipts:						
Sale of Notes	-	-	-	550,000	-	550,000
Other Financing Sources	8,180	-	2,947	-	-	11,127
Total Other Financing Receipts	8,180	-	2,947	550,000	-	561,127
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	(391,676)	(76,162)	32,873	204,888	(360)	(230,437)
Fund Cash Balances, January 1	1,344,632	5,304,917	106,279	399,886	6,025	7,161,739
Fund Cash Balances, December 31	\$ 952,956	\$ 5,228,755	\$ 139,152	\$ 604,774	\$ 5,665	\$ 6,931,302
Reserve for Encumbrances, December 31	\$ 101,795	-	-	-	-	\$ 101,795

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

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**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2007**

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, Delaware 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, cemetery maintenance, fire protection and emergency medical services.

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

B. Accounting Basis

This financial statement follows 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).

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The investment in STAR Ohio is valued at amounts reported by the State Treasurer.

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.

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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:

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

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

Fire District Fund – This fund receives tax money from a special fire levy for covering the cost of fire protection.

3. Debt Service Fund

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

General Bond Note Retirement Fund – This fund receives tax money earmarked to retire the bonded debt associated with the construction of the community recreation center.

4. Capital Project Fund

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

Recreation Center Fund – This fund receives note proceeds used for the construction of a recreation center for the Township and settlement on dispute of the center's roof.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Liebert Fund – This expendable trust fund receives donations and interest for maintaining and planting trees in the memorial tree grove at Liberty Park.

Amos Fund – This expendable trust fund receives donations and interest for maintaining and planting trees in the memorial tree grove at Liberty Park.

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

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. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2007 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 statement does not report these items as assets.

G. Accumulated Leave

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

2. Equity in Pooled Cash and Investments

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

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2007
(Continued)**

2. Equity in Pooled Cash and Investments (Continued)

	2007
Demand deposits	\$1,197,622
STAR Ohio	5,733,680
Total deposits and investments	\$6,931,302

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2007 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,695,644	\$2,051,880	\$356,236
Special Revenue	6,252,265	6,869,957	617,692
Debt Service	461,960	480,453	18,493
Capital Projects	0	550,000	550,000
Trust	91	726	635
Total	\$8,409,960	\$9,953,016	\$1,543,056

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,090,124	\$2,545,351	(\$455,227)
Special Revenue	11,383,630	6,946,119	4,437,511
Debt Service	177,192	447,580	(270,388)
Capital Projects	0	345,112	(345,112)
Trust	0	1,086	(1,086)
Total	\$13,650,946	\$10,285,248	\$3,365,698

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority at the object code level, the legal level of control, at December 31, 2007 in the General, the Road and Bridge special revenue, the Special Levy special revenue, the Debt Service, the Capital Projects, and the Private Purpose Trust funds.

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2007
(Continued)**

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 February 10. The second half payment is due the following July 10.

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, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Recreation Center Bonds	\$224,984	Various
Recreation Center Refunding Bonds	4,844,993	Various
Park Improvement Note, Series 2007	550,000	3.7%
Total	<u>\$5,619,977</u>	

Recreation Center Bonds

The Township issued Capital Appreciation Bonds on April 1, 2000, in the amount of \$6,299,984, for a term of twenty-seven years for constructing the recreation facility, furnishings, equipping, landscaping, and acquiring land. The term of the bond was reduced by sixteen years in 2006 due to the fact that the Township issued refunding bonds. Principal payments are due annually and interest payments are due semi-annually. The bonds are collateralized by the taxing authority of the Township.

Recreation Center Refunding Bonds

The Township issued advance refunding bonds on March 29, 2006, in the amount of \$5,433,980 for a term of twenty years. The Township has entered into an escrow agreement which requires the escrow trustee to purchase securities to pay interest and principal to the original bond holders. Principal payments are due annually and interest payments are due semi-annually. The bonds are collateralized by the taxing authority of the Township.

Park Improvement Notes

The Township authorized the sale of notes on 10/31/07 in the amount of \$550,000 for the purpose of improvements on Havener Park for a term of five years. Principal payments are due annually and interest payments are due semi-annually. The notes are collateralized by the taxing authority of the Township.

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2007
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	Recreation Center Bonds	Recreation Center Refunding Bonds	Park Improvement Notes
2008	189,270	256,244	138,711
2009	189,270	253,794	155,910
2010	189,270	256,344	150,730
2011	0	438,719	155,550
2012-2016	0	2,207,994	0
2017-2022	0	2,647,913	0
2023-2027	0	2,209,225	0
Total	<u>\$567,810</u>	<u>\$8,270,233</u>	<u>\$600,901</u>

6. Retirement Systems

The Township's certified fire fighters belong to the Police and Fire Pension Fund (OP&F). Other 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 2007, the Township contributed to OP&F an amount equal to 34% of full-time fire fighters' wages which includes 10% contribution normally required of OP&F members. For 2007, the Township contributed 23.37% of OPERS participants' gross salaries which includes 9.5% contribution normally required of OPERS members. The Township has paid all contributions required through December 31, 2007.

7. Risk Management

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

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2007
(Continued)**

7. Risk Management (Continued)

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

	2007	2006
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

8. Contingent Liabilities

The Township is defendant in two lawsuits related to zoning issues. Compensatory damages in an unspecified amount are being sought in one of the suits. The Township has employed legal counsel and plans to vigorously contest the claims. Although it is not currently possible to predict a range of loss, if any, the Township believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

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Mary Taylor, CPA

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
Delaware County
10104 Brewster Lane, Suite 125
Powell, Ohio 43065

To the Board of Trustees:

We have audited the financial statement of Liberty Township, Delaware County, Ohio (the Township) as of and for the year ended December 31, 2007, and have issued our report thereon dated September 15, 2008 wherein we noted the Township prepared its financial statement using 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 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. 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 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 statement, 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 deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

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 the 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 the significant deficiencies described above are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated September 15, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statement is 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* which are described in the accompanying schedule of findings as items 2007-002 through 2007-004.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated September 15, 2008.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. 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 the Board of Trustees and management. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 15, 2008

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007**

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

FINDING NUMBER 2007-001

Significant Deficiency/Material Weakness

Sound financial reporting is the responsibility of the fiscal officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the December 31, 2007 financial statement and posted to the Township's accounting ledgers:

1. A reclassification was made to properly record \$178,170 of interest expense as interest and other fiscal charges rather than redemption of principal in the debt service fund.
2. An audit adjustment to properly record park improvement expenditures of \$34,537 public works expenditures in the general fund rather than a public works expenditure in the motor vehicle license tax special revenue fund.
3. An audit adjustment to properly record \$84,775 of capital outlay expenditure to replace the roof on the recreation center in the capital projects fund rather than the general fund.
4. An audit adjustment of \$1,010 to properly report an utility expenditure in the General Fund rather than a capital outlay expenditure in the private purpose trust fund.
5. An adjustment to record \$101,795 of unrecorded encumbrances at December 31, 2007 as reserve for encumbrances. (See Finding 2007-002)

The following audit adjustments and reclassifications were inconsequential to the overall financial statement of the Township and were not posted to the December 31, 2007 financial statements.

1. A reclassification of \$174,485 to increase license permits and fees that was misposted as miscellaneous revenue in the special levy special revenue fund.
2. A reclassification of \$70,557 to increase intergovernmental revenue that was misposted as property & other local tax revenue in the general fund.
3. A reclassification of \$81,527 to increase intergovernmental revenue misposted as property & other local tax revenue in the road and bridge and fire and EMS special revenue funds.
4. A reclassification of \$2,729 to increase intergovernmental revenue misposted as other financing sources in the debt service fund.

The adjustments and reclassifications identified above should be reviewed by the fiscal officer to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Township should adopt policies and procedures, including a final review of the financial statements and note disclosures by the fiscal officer and the Board of Trustees, to identify and correct errors and omissions.

LIBERTY TOWNSHIP
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-002

Noncompliance Citation/Significant Deficiency/Material Weakness

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution 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 Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the transactions tested were certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

In addition the December 31, 2007 financial statement was adjusted to reflect \$101,795 of unrecorded encumbrances as reserve for encumbrances.

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)**

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

FINDING NUMBER 2007-002 (Continued)

Noncompliance Citation/Significant Deficiency/Material Weakness (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Center incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2007-003

Noncompliance Citation

Ohio Revised Code § 9.38 states that a person who is a public official shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited.

The Township's internal control policy states that collections can be held up to three days if the total collection is less than \$1,000. All collections over \$1,000 must be deposited within 24 hours of receipt.

Sixty eight percent of licenses, fees, and permits receipts tested were not deposited within three days of collection. These receipts were held up to twenty days prior to being deposited.

In order to ensure compliance with the Ohio Revised Code and the Township's cash collection policy, the fiscal officer should deposit all collections in a timely manner.

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-004

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states in part that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated against an appropriate fund. Furthermore, expenditures may not exceed appropriations at the legal level of control. The legal level of control is defined as the level in which appropriations are approved by the Board of Trustees.

At December 31, 2007, expenditures exceeded appropriations at the object account code, the legal level of control, in the following funds:

Fund	Total number of object accounts in each fund	Number of object accounts not in compliance with ORC 5705.41(B)	Range of instances of non-compliance in each fund
General Fund	50	22	\$93 to \$350,983
Road and Bridge Special Revenue Fund	19	11	\$124 to \$71,923
Special Levy Special Revenue Fund	28	9	\$2,955 to \$290,522
Debt Service Fund	4	4	\$6,376 to \$235,979
Capital Projects Fund	1	1	\$345,112
Private Purpose Trust Fund	1	1	\$1,086

We recommend that the fiscal officer and Board of Trustees monitor appropriations by monitoring budget versus actual financial reports at the end of each month and as needed amending appropriations to ensure expenditures are within appropriations at the legal level of control. The fiscal officer should deny payment requests for expenditures exceeding appropriations.

Officials' Response:

Corrections to Findings 2007-001 through 2007-004 have been or are in process of being made.

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECMEBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Certification of Expenditures – Ohio Revised Code § 5705.41 (D)	No	Not corrected, this comment has been repeated as comment 2007-002.
2006-002	Certification of Available Revenue - Ohio Revised Code § 5705.36	No	Partially Corrected, this comment has been repeated in the management letter.
2006-003	Annual Appropriation Measure – Ohio Revised Code § 5705.38	Yes	N/A
2006-004 and 2006-008	Expenditure Exceed Appropriation – Ohio Revised Code § 5705.41 (B)	No	Not corrected, this comment has been repeated as comment 2007-004.
2006-005	Certification of Tax Levy – Ohio Revised Code § 5705.34	Yes	N/A
2006-006	Amended Certification of Available Revenue - Ohio Revised Code § 5705.36	No	Partially Corrected, this comment has been repeated in the management letter.
2006-007	Receipts & Expenditures Posted to the Proper Fund	No	Not corrected, this comment has been repeated as comment 2007-001.
2006-009	Annual Reports – Ohio Administrative Code 117.38	Yes	N/A
2006-010	Levy of Additional Taxes – Ohio Revised Code § 5735.29	Yes	N/A
2006-011	Personnel Files Not Completed	Yes	N/A
2006-012	Filing Timely Budgetary Filings	Yes	N/A

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECMEBER 31, 2007
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-013	Inter-Fund Cash Advances	Yes	N/A
2006-014	Contract Running Beyond Fiscal Year-- Ohio Revised Code § 5705.44	Yes	N/A
2006-015	Supporting Documentation	Yes	N/A
2006-016	Separate Bids for Work & Material – Ohio Revised Code § 153.50	Yes	N/A



Mary Taylor, CPA
Auditor of State

LIBERTY TOWNSHIP

DELAWARE 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 6, 2008**