



Mary Taylor, CPA  
Auditor of State

LIBERTY TOWNSHIP  
PERFORMANCE AUDIT

MAY 20, 2008



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Auditor of State

To the Residents and Officials of Liberty Township:

On January 16, 2007, Liberty Township (the Township) engaged the Auditor of State (AOS) to conduct a risk-based performance audit of the Township's planning, personnel management, and technology utilization practices. In accordance with the terms of this engagement, AOS also developed a five-year financial forecast of the Township's General Fund.

The performance audit contains recommendations which identify the potential for cost savings and operational improvements. While the recommendations contained in the audit are resources intended to assist with continuing improvement efforts, Liberty Township is also encouraged to assess overall operations and develop alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; an agency overview; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to Liberty Township, and its contents discussed with the appropriate officials and administrators. The Township has been encouraged to use the results of the performance audit as a resource in improving its overall operations and delivery of services.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit can be accessed online through the Auditor of State's website at <http://www.auditor.state.oh.us/> by choosing the "Online Audit Search" option.

Sincerely,

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

Mary Taylor, CPA  
Auditor of State

May 20, 2008





# **Executive Summary**

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## **Project History**

Liberty Township (Liberty Twp. or the Township) engaged the Auditor of State's Office (AOS) to review and analyze operations of the Township administration and develop recommendations for improvement where warranted. Based on discussions with the Township trustees, specific areas were identified for evaluation as part of the project. On January 16, 2007, the Board of Trustees passed a resolution calling for the performance audit and fieldwork began in March, 2007.

## **Overview of Liberty Township**

Liberty Twp. is a central Ohio community located in southern Delaware County. Officially established in 1808, Liberty Twp. covers nearly 25 square miles, encompassing the City of Powell, part of the City of Delaware, and it is contiguous to the cities of Dublin, Columbus, and Concord, and the townships of Orange, Berlin, and Delaware. Liberty is predominantly a residentially zoned community with 31.0 percent of total land use zoned for single-family housing and 25.9 percent of land for agriculture. Less than 3.5 percent of land is commercial/industrial zoned. During the 2000 census, the Township's population was listed as 9,182. In 2005, the Delaware County Regional Planning Commission estimated the Township's population at 12,372; an increase of 34.7 percent. According to the 2000 census, Liberty Township had a median family income of \$103,903 and an unemployment rate of 0.4 percent.

The Township is governed by a locally elected three member Board of Trustees who serve four-year terms. In its capacity as stewards of the Township, the Trustees are charged with assigning competent personnel and establishing efficient procedures to ensure sound management of fiscal affairs. The Township Fiscal Officer is the legally designated fiscal officer for the Township and is also elected to a four-year term. The Fiscal Officer is independent of Liberty Township's Board of Trustees, yet by law, must work closely with the Trustees in managing the financial operations of the Township. The Fiscal Officer works on a part-time basis and is expected to develop efficient and effective procedures for fiscal accounting. The Fiscal Officer is also required to submit the Township budget to the County Budget Commission in a timely manner, present the budget to the Trustees and the public, and record Township Trustee meeting minutes.

The Township provides basic government services including fire protection, parks and recreation, road maintenance, and zoning. Police protection is provided to township residents through an agreement with the Delaware County Sheriff's Office. Property taxes and other local

taxes are the Township's primary funding source, representing 74.7 percent of the Township's total revenues in 2005 for all funds. The Township's property tax revenues have increased significantly each year, largely due to substantial residential growth. Liberty Twp.'s population has increased by 5.5 percent annually between July 2000 and June 2005. This population growth has resulted in a significant amount of residential construction, as the Township issued an average of 192 new residential building permits per year during that same period<sup>1</sup>.

Employee wages and benefits are the largest expenditures for the Township and represented approximately 48 percent of the Township's total expenditures in 2006 for all funds. In addition to the three Trustees, Fiscal Officer, and the Administrator (General Fund), the Township employed 2.6 FTEs in the Zoning Department, 9.0 FTEs in the Road and Maintenance Department, 1.0 full-time Fire Chief, 51.0 FTEs in the Fire Department, and 10 part time staff in various positions. The firefighters are the only employees represented by a collective bargaining unit—the International Association of Firefighters Local 3754.

## **Objectives, Scope and Methodology**

This performance audit assessed key operations of Liberty Twp. in the areas of financial management (including the development of a five-year forecast), strategic and capital planning, performance measurement, personnel and policies, service coordination and centralization, technology, and community expectations and opportunities for involvement. A full list of objectives is included in **appendix 1-A**. The ensuing recommendations are designed to assist the Township in its efforts to optimize resources and maintain service levels within current funding constraints.

This performance audit was conducted between March 2007 and October 2007 in accordance with Generally Accepted Government Auditing Standards. The goal of the performance audit was to assess the selected areas of the Township's operations and to develop recommendations based on comparisons with peer townships and other benchmarks. The ensuing recommendations comprise options that the Township can consider in its continuing efforts to improve operating efficiency and effectiveness.

To complete this report, auditors gathered and assessed data from various sources pertaining to key operations, conducted interviews with Township personnel, and assessed requested information from the comparison (peer) townships. These townships include Orange and Genoa Townships in Delaware County, and Perrysburg Township in Wood County. Townships were selected as peers based on reviews of demographic information and service provision, as well as input from the Township Trustees. Best practice information from the Government Finance Officers' Association (GFOA), the American Institute of Certified Public Accountants (AIPCA),

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<sup>1</sup> Based on data obtained from the Delaware County Regional Planning Commission

the Society for Human Resource Management (SHRM), and other applicable sources were also used as a basis for comparison.

During the course of the performance audit, information was shared with the Township Trustees, including preliminary drafts of findings and proposed recommendations. Furthermore, periodic status meetings were held throughout the engagement to inform the Township of key issues impacting selected areas, and to share proposed recommendations to improve operational efficiency and effectiveness. Input from Township personnel was solicited and considered when assessing the selected areas and framing recommendations. Finally, the Township was given an opportunity to provide written comments in response to the various recommendations for inclusion in the final report.

The Auditor of State and staff express their appreciation to Liberty Township and the peer organizations for their cooperation and assistance throughout this audit.

## **Financial Forecast Conclusions**

The performance audit project included the development of a five-year financial forecast of Liberty Twp.'s General Fund, including assumptions for each of the forecast elements. The forecast shows that the Township will have a positive fund balance through FY 2011. However, the balance decreases in each year of the forecast. For the Township to avoid negative fund balances in the future, important financial issues need to be discussed and plans put in place to achieve a balance between revenues and expenditures in the General Fund.

## **Key Recommendations**

The performance audit contains several recommendations pertaining to Liberty Twp. operations. The following are the key recommendations from the report:

*In the area of financial forecasting, Liberty Township should:*

- Create specific policies and procedures to ensure reliability and consistency in the development and review of a five-year financial forecast, and provide the policies and procedures to the Trustees for review and approval
- Develop formal procedures to guide the budgeting process, including a budget calendar, which specifies timelines and completion dates for tasks. Formal procedures would also help ensure the appropriate involvement of Department supervisors in developing and adjusting revenue and expenditure estimates.

*In the area of planning and personnel management, Liberty Township should:*

- Develop a formal strategic plan that encompasses recommended practices, such as those established by the GFOA.
- Develop a government-wide capital plan that aligns capital needs with the strategic plan, budgeting process, and financial forecasting initiatives.
- Form a technology committee and create a formal technology plan.

*In the area of performance measurement, Liberty Township should:*

- Develop and implement a performance measurement program. This program should include a formal process for compiling and reviewing performance measures in each Department, collectively making decisions based on this process, and subsequently communicating the decisions to the Trustees as well as the public.

*In the area of personnel and policies, Liberty Township should:*

- Develop a Township-wide personnel policy and procedure manual that is consistent with best practices.
- Develop formal, comprehensive administrative policies and standard operating procedures.
- Formalize the current labor negotiation process in a policy that includes recommended procedures for preparation, negotiation, and follow up with collective bargaining units. In addition, Liberty Twp. should provide formal training, either through State Employment Relations Board (SERB) or some other resource, to the Township's designated collective bargaining negotiator.
- During future contract negotiations, seek to negotiate a reduction in the maximum number of sick days that 56-hour work week employees may accrue.
- Implement a formal, centralized purchasing process.



*In the area of technology, Liberty Township should:*

- Develop a formal information technology plan as part of the strategic plan.
- Evaluate the opportunity to reduce contracted IT services in favor of establishing a dedicated in-house IT function.
- Plan to expand the availability of E-Government Services. Specifically, the Township should seek to provide residents with on-line options for completing forms, reserving facilities, and providing feedback about the quality of Township services.
- Evaluate current practices for preserving physical hardware, primarily network servers.

## **Issues for Further Study**

Auditing standards require the disclosure of significant issues identified during an audit that are not reviewed in depth. These issues may not be directly related to the audit objectives or may be outside the scope of the project. During the performance audit of Liberty Twp., AOS identified the following issues:

- **Negotiated Wage Increases:** While Liberty Twp.'s hourly wages were generally consistent with the peer average, it had the highest annual negotiated wage increases at 5 percent per year.<sup>2</sup> Liberty Twp.'s negotiated wage increases did not warrant a recommendation. However, should higher negotiated increases continue to occur, the Township risks salary levels that exceed the peers.

For those categories in which Liberty Twp. exceeded the peers, the differences were not considered significant or material. **Table 1-1** shows the difference between the Township's hourly and annual wages and the peer average.

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<sup>2</sup> Orange and Genoa Townships' increases were 4 percent per year, and Perrysburg Township ranged from 2.75 to 3 percent.

**Table 1-1: 2007 Selected Wage Variances**

Liberty			
Firefighter/Paramedic (56 hr.)	Above (below) Peer Average		
	Hourly	Annual	Percentage
Start	(\$2.03)	(\$3,502.27)	(4.65%)
Step 3 (fourth year)	\$0.05	\$2,810.56	5.47%
Lieutenant (56 hr.)			
Start	\$0.54	\$1,478.56	2.63%
Step 1 (2nd year)	\$0.08	\$164.28	0.27%
Fire Inspector (40 hr.)			
Start	(\$6.82)	(\$14,185.60)	(26.62%)
Sr. Fire Inspector or Step 1 Fire Inspector (40 hr.)			
Start/Step 1	(\$5.90)	(\$12,272.00)	(21.35%)

**Source:** Liberty Twp. and Peer negotiated agreements

**Note:** Only two peers were used for Lieutenant, Fire Inspector and Sr. Fire Inspector. The third peer did not include these categories in the negotiated agreements.

For those categories in which Liberty Twp. is above average, variances will increase in the future due to the Township's higher than average negotiated wage increases. For those categories in which the Township is below the peer averages, the higher negotiated wage increases will cause variances to decrease. Liberty Twp.'s negotiated agreement does not expire until December 31, 2009; therefore, this issue should be studied in preparation for future negotiations. The Township should begin examining the financial impact of various wage increase scenarios. Once a clear understanding of how the increases affect the Township's fund balances, the Township should devise strategies to bring the future negotiated wage increases more in line with the peers.

- Health Insurance Contributions:** Nationally, health insurance premiums are increasing at more than twice the average rate of inflation. Liberty Twp. provides its employees with health care coverage in return for an employee contribution of between \$15 and \$25 per month, depending on the plan. While Liberty Twp.'s employee contribution rates for health insurance coverage are comparable to two of the three peer townships, this issue was identified as a potential high risk area based on the rising costs of health insurance premiums.

In 2006, SERB reported employee contributions as a percentage of the monthly premium. Compared to State and national averages, the Township's employee contribution towards premiums is very low. For example, SERB reported the statewide average employee contributions in 2006 were 7.3 percent for single plans and 8.6 percent for family plans. The national average, as reported in the *Employer Health Benefits 2007 Annual Survey* (Kaiser, 2007), was 16 percent for single plans and 28 percent for family plans. The Township should consider completing a comprehensive study of alternative health care

plans and premium payment options to understand the financial impact of those alternatives. The Township should also consider developing a strategy to encourage organizational acceptance of increases in shared responsibility for health care costs.

- **Employer pick-up contribution:** While only Liberty Twp. fire department employees are part of a bargaining unit, the remainder of Township employees typically receive wage increases and benefits that correlate with those received in the bargaining unit's negotiated agreements.

In addition to the Township's retirement contribution obligations for each employee, it also picks up all but 1 percent of the required employees' contribution. These pick-up amounts impact employee earnings by increasing the real compensation received by employees without increasing hourly wage amounts. In 2009, the pick-up cost for non bargaining unit employees is expected to exceed \$60,000 and is paid directly from the General Fund.

While the Township is evaluating the financial impact of negotiated wage increases, and health care premium contributions it should also study the impact of the pick-up on real wages received by its employees. All these items and their associated costs should be understood and considered when planning for future negotiations and change management strategies.

## Appendix 1-A: Audit Objectives

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Objectives completed for each section of this audit are as follows:

### **Financial Systems**

- Is the Township’s management of revenues and expenditures similar to best practices?
- What are the historical figures that are going to be used for the financial forecast?
- What are the significant sources of revenue for each fund and how should they be projected?
- What are the significant sources of expenditures for each fund and how should they be projected?
- What is the projected ending fund balance after incorporating the savings from performance audit recommendations?

### **Strategic and Capital Planning**

- What recommended practices have not been incorporated in the Township’s strategic planning activities?
- How could the Township’s capital planning practices be enhanced to ensure that the Townships activities meet best practices standards?

### **Performance Measurement**

- Is the Township using best practice performance measurement standards to assess the current performance of the Fire Department and its planning and budgeting process?
- Does the Township use best practice performance measurement standards to assess the current performance of the Streets Department and its planning and budgeting process?

- Is the Township using best practice performance measurement standards to assess the current performance of the Parks and Recreation Department and its planning and budgeting process?
- Does the Township use best practice performance measurement standards to assess the current performance of the Zoning Department as well as use the measurements in planning and budgeting?

**Personnel Policies**

- How can policies and procedures be enhanced to ensure that the Township’s personnel management practices are consistent with best practices?
- What provisions of the townships collective bargaining agreement are not in line with comparable service providers?

**Service Coordination and Centralization**

- Are the Township’s technology activities coordinated and centralized in a manner which best supports the Township’s needs?
- Are purchasing-related activities performed in a manner that maximizes the resources of the Township?
- Does the Township appropriately allocate human resources responsibilities between administrative and department level staff? Has the Township appropriately coordinated and centralized its human resource activities to service the various Township departments effectively?

# Appendix 1-B: Survey Results

A survey was distributed to Liberty Twp. residents during the course of this audit. The purpose of the survey was to obtain resident feedback and perceptions concerning the services provided by the Township.

## Township Survey Responses

**Q1. I am a resident of:**

	Response Percent
City of Powell	5.7%
Liberty Township	90.6%
Both	3.8%

**Q2. I would rate the overall quality of services provided by Liberty Township as:**

	Response Percent
Excellent	26.4%
Good	47.2%
Fair	20.8%
Poor	5.7%

**Q3. Please rate the following statements by marking the column that best describes your opinion:**

	Strongly Agree	Somewhat Agree	Neither Agree nor Disagree	Somewhat Disagree	Strongly Disagree	No Opinion
I receive good value for the taxes I pay.	28.8%	36.5%	11.5%	11.5%	11.5%	0.0%
I am pleased with the overall direction of the Township.	13.2%	28.3%	11.3%	32.1%	15.1%	0.0%
The Township government welcomes citizen involvement.	15.7%	33.3%	19.6%	11.8%	13.7%	5.9%
The Township government listens to citizens.	9.4%	22.6%	20.8%	24.5%	18.9%	3.8%
The Township allocates fiscal resources appropriately.	15.7%	25.5%	23.3%	15.7%	15.7%	3.9%
I am pleased with overall Township leadership of elected officials.	5.7%	18.9%	22.6%	22.6%	30.2%	0%

**Q4. Which of the following items do you perceive as a potential problem in Liberty Township? (Please check all that apply)**

	Response Percent
Weeds	10.0%
Unsupervised youth	10.0%
Traffic congestion	72.0%
Taxes	40.0%
Run down buildings, weed lots, or junk vehicles	16.0%
Noise	8.0%
Lack of growth	10.0%
Too much growth	64.0%
Drugs	6.0%
Crime	16.0%
Trash disposal	8.0%

**Q5. In the last 12 months about how many times have you or any member of your household participated in the following activities in Liberty Township?**

	Never	Once or Twice	3-12 Times	More than 12 Times
Visited township recreation facilities	25.5%	25.5%	37.7%	11.8%
Participated in recreation program or activity	59.2%	10.2%	26.5%	4.1%
Visited park	16.0%	26.0%	46.0%	12.0%
Attended public meeting	35.4%	33.3%	25%	6.3%
Volunteered in other group/activity	60.0%	18.0%	12.0%	10.0%
Visited township web site	12.0%	36.0%	38.0%	14.0%

**Q6. How do you rate the quality and/or effectiveness of each of the following services in Liberty Township?**

	Excellent	Good	Fair	Poor	Don't Know
A) Fire services	75.6%	11.1%	6.7%	0.0%	6.7%
B) Street repair	35.6%	44.4%	15.6%	4.4%	0.0%
C) Street cleaning	23.3%	34.9%	23.3%	11.6%	7.0%
D) Sidewalk maintenance	9.8%4	22.0%	4.9%	7.3%	56.1%
E) Snow removal	56.8%	27.3%	11.4%	2.3%	2.3%
F) Accessibility of parks	51.2%	39.5%	4.7%	0.0%	4.7%
G) Appearance/maintenance of parks	62.8%	27.9%	0.0%	0.0%	9.3%
H) Size of parks	60.5%	30.2%	0.0%	0.0%	9.3%
I) Recreation programs/classes	19.5%	26.8%	9.8%	0.0%	43.9%
J) Land use, planning and zoning	7.0%	20.9%	37.2%	27.9%	7.0%
K) Economic development	9.8%	24.4%	24.4%	31.7%	9.8%
L) Code enforcement	24.4%	22.0%	24.4%	19.5%	9.8%
M) Township communication to the public	6.8%	22.7%	38.6%	29.5%	2.3%

**Q7. Which THREE of the items listed above do you think should receive the most emphasis from Township leaders during the next two years? (Write in the letters below using the letters from the rows in question 6 above)**

	Response Percent
1st	100.0%
2nd	92.7%
3rd	85.4%

**Q8. How satisfied are you with:**

	Satisfied	Somewhat Satisfied	Neutral	Somewhat Dissatisfied	No Opinion
The availability of information about Township programs and services?	22.2%	31.4%	28.9%	15.6%	2.2%
Township efforts to keep the public informed about local issues?	17.8%	31.1%	24.4%	26.7%	0.0%
Township openness to public involvement and input from residents?	15.9%	22.7%	25.0%	31.8%	4.5%
The quality of the Township's web site?	22.7%	18.2%	31.8%	22.7%	4.5%
The services provided on the web site?	18.2%	20.5%	34.1%	20.5%	6.8%

**Q9. Have you had any in-person or phone contact with an employee of Liberty Township within the last 12 months?**

	Response Percent
No	35.6%
Yes	64.4%

**Q10. What was your impression of Township employees during your most recent contact? Rate each characteristic below.**

	Excellent	Good	Fair	Poor	Don't Know
Employees were knowledgeable	44.7%	21.1%	10.5%	5.3%	18.4%
Employees were responsive	38.5%	17.9%	10.3%	15.4%	17.9%
Employees were courteous	46.2%	20.5%	7.7%	7.7%	17.9%
Overall impression	35.9%	20.5%	12.8%	10.3%	10.5%

**Q11. Which of the following are your primary sources of information about Township issues, services and events? (Check all that apply)**

	Response Percent
Local newspaper	97.7%
Television news	11.4%
Radio	4.6%
Township web site	34.1%
Email	6.8%
Friends/neighbors	56.8%
Public meetings	20.5%
Other	2.3%



**Q12. How often do you use the Internet?**

	Response Percent
Daily	88.9%
Weekly	4.4%
Once in a while	6.7%
I do not use the Internet	0.0%

**Q13. If the Township developed a system that allows residents to register and pay for services over the Internet which of the following items would you be likely to use?**

	Response Percent
Action Line (suggestions, request info, request action)	34.9%
Register recreation programs	32.6%
Park rentals	32.6%
Pay zoning and permit fees	30.2%
None	37.2%
Other	7.0%

**Q14. Would you be willing to have a small fee (less that \$3.00) added to your bill to help cover the cost of providing the service? (Answer only if you selected at least one of the services listed above)**

	Response Percent
Yes	33.3%
No	52.8%
Don't know	13.9%

**Q15. What do you think is the most important challenge facing Liberty Township? (Write your response below)**

**Q16. During the past three years has the quality of Township services gotten better, stayed the same or gotten worse? (If you have not lived in Liberty Township during the last three years, please leave this item blank)**

	Response Percent
Better	14.3%
Same	64.3%
Worse	21.4%

**Q17. If you could make one change to Liberty Township what would it be?**

**Q18. Anything else you would like to tell us about Liberty Township?**

Source: AOS survey of Liberty Twp. residents

### *Summary of General Comments*

Overall residents are happy with the services they receive from the Township with more than 73 percent of the Township's residents rating services as excellent or good. Fire services were rated the highest with more than 73 percent of the respondent's describing those services as excellent.

In to the area of strategic planning, Township citizens expressed a general displeasure with the strategic management of the Township. Only 41.5 percent of survey respondents "agreed" or "somewhat agreed" that they are pleased with the overall direction of the Township. In addition, 38.6 percent of respondents indicated that they are "satisfied" or "somewhat satisfied" with the Township's openness to public involvement and input from residents. This is consistent with the 49 percent of survey respondents who expressed the opinion that Township government welcomes citizen involvement and the 32.1 percent who feel the Township government listens to its citizens.

Too much growth is perceived as the greatest problem and more than 50 percent of the respondents either somewhat or strongly disagreed with the statement that they were pleased with the leadership of the Township.

Most residents use the Internet on a daily basis, yet Township news is usually obtained through local newspapers. Residents would use e-government services if they were offered on the Township's web site but the majority was not open to paying a small service fee for those additional services.

Respondents were also given the opportunity to provide additional comments and feedback.



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# Financial Forecast

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## Background

This section of the performance audit assesses the current and future financial condition of Liberty Township's (Liberty Twp. or the Township) General Fund. Included in this section is a five-year forecast and recommendations for financial forecast preparation and presentation based on leading practices and industry standards drawn from sources such as the American Institute of Certified Public Accountants (AICPA), Government Finance Officers Association (GFOA), and National Advisory Council on State and Local Budgeting (NACSLB).

### *Accounting Structure*

For accounting purposes, Liberty Twp. is not treated as a single entity. Rather, it is viewed as a collection of smaller, separate accounting entries known as funds. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. Liberty Township classifies and accounts for its revenues and expenditures within the following fund types in accordance with Governmental Accounting Standards Board (GASB) requirements:

- **General Fund:** The General Fund is one of four governmental fund types and serves as the chief operating fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. In other words, the General Fund is the primary operating fund of a state or local government.
- **Special Revenue Funds:** These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose, with the exception of expendable trusts and major capital projects. For example, the Township's Street Fund is used to account for the portion of the State gasoline tax and motor vehicle registration fees received by the Township. Pursuant to Ohio Revised Code (ORC) §5735.27 and 4501.04, these funds are designated for the maintenance and repair of streets within the Township.
- **Debt Service:** A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- **Capital Projects:** A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities.

*Financial Forecast*

**Table 2-1** presents the five-year financial forecast developed for the General Fund. It includes projected revenues, expenditures, and year-end balances. The Township requested that a forecast be developed for the General Fund in order to identify potential future deficits and to assist in improving its fiscal planning processes. The forecast includes three years of historical data (2004 through 2006) and five years of projected data (2007 through 2012). Detailed assumptions are provided for each line-item in the forecast to explain significant variances and to clarify methodologies used in projecting revenues and expenditures. The assumptions disclosed herein were developed by AOS in conjunction with Township personnel.

In developing the forecast, AOS used six years of historical information to analyze trends and identify any inconsistencies that could impact projections. It is important to note that because AOS did not audit every accounting transaction, some errors or inconsistencies may exist. Generally, AOS relied on interviews with Township employees and transaction records to provide explanations for significant variances because the Fiscal Officer was not accessible. However, the forecast represents a materially reliable presentation of the Township's current and future financial condition. To improve future financial planning efforts, Liberty Twp. is encouraged to begin developing financial forecasts and supporting documents similar in format to **Table 2-1**.

**Table 2-1: General Fund Forecast**

	Actual 2004	Actual 2005	Actual 2006	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
<b>Revenues:</b>								
Local Taxes	\$776,887	\$815,681	\$950,711	\$1,035,459	\$1,127,761	\$1,301,149	\$1,417,135	\$1,543,460
Intergovernmental Revenue	\$314,820	\$453,026 <sup>1</sup>	\$207,528	\$344,862	\$354,520	\$364,499	\$374,808	\$385,458
Fees, Licenses, and Permits	\$269,459	\$210,633	\$238,088	\$239,545	\$239,545	\$239,545	\$239,545	\$239,545
Earnings on Investments	\$77,849	\$178,287	\$281,815	\$179,317	\$184,697	\$190,237	\$195,945	\$201,823
Miscellaneous	\$113,911	\$267,363	\$345,612	\$212,970	\$236,308	\$264,314	\$297,921	\$338,249
<b>Total Revenues</b>	<b>\$1,552,925</b>	<b>\$1,924,990</b>	<b>\$2,023,753</b>	<b>\$2,012,153</b>	<b>\$2,142,831</b>	<b>\$2,359,745</b>	<b>\$2,525,354</b>	<b>\$2,708,536</b>
Other Financing Sources	\$3,560	\$12,019	\$124,966	\$8,052	\$8,052	\$8,052	\$8,052	\$8,052
<b>Total Revenues &amp; Other Financing</b>	<b>\$1,556,486</b>	<b>\$1,937,009</b>	<b>\$2,148,719</b>	<b>\$2,020,205</b>	<b>\$2,150,883</b>	<b>\$2,367,797</b>	<b>\$2,533,406</b>	<b>\$2,716,588</b>
<b>Expenditures:</b>								
Salaries	\$673,830	\$757,538	\$758,199	\$834,930	\$966,366	\$1,056,839	\$1,157,470	\$1,269,533
Benefits	\$310,541	\$369,698	\$427,068	\$428,114	\$488,921	\$543,212	\$603,165	\$669,488
Purchased Services	\$148,037	\$102,514	\$113,613	\$105,180	\$105,180	\$105,180	\$105,180	\$105,180
Supplies & Materials	\$58,748	\$61,298	\$57,343	\$54,605	\$60,066	\$66,072	\$72,679	\$79,947
Capital Outlay	\$120,187	\$575,707	\$778,498	\$620,773	\$622,716	\$624,717	\$626,779	\$628,902
Other	\$143,038	\$131,596	\$148,415	\$147,131	\$160,372	\$174,806	\$190,538	\$207,687
<b>Total Expenditures</b>	<b>\$1,454,381</b>	<b>\$1,998,351</b>	<b>\$2,283,136</b>	<b>\$2,190,732</b>	<b>\$2,403,621</b>	<b>\$2,570,826</b>	<b>\$2,755,812</b>	<b>\$2,960,737</b>
Other Financing Uses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Expenditures and Other Financing</b>	<b>\$1,454,381</b>	<b>\$1,998,351</b>	<b>\$2,283,136</b>	<b>\$2,190,732</b>	<b>\$2,403,621</b>	<b>\$2,570,826</b>	<b>\$2,755,812</b>	<b>\$2,960,737</b>
<b>Net Operating Results</b>	<b>\$102,105</b>	<b>(\$61,342)</b>	<b>(\$134,417)</b>	<b>(\$170,527)</b>	<b>(\$252,738)</b>	<b>(\$203,029)</b>	<b>(\$222,406)</b>	<b>(\$244,149)</b>
<b>Beginning Balance</b>	<b>\$1,617,512</b>	<b>\$1,719,617</b>	<b>\$1,658,275</b>	<b>\$1,523,858</b>	<b>\$1,353,331</b>	<b>\$1,100,593</b>	<b>\$897,564</b>	<b>\$675,158</b>
<b>Ending Balance</b>	<b>\$1,719,617</b>	<b>\$1,658,275</b>	<b>\$1,523,858</b>	<b>\$1,353,331</b>	<b>\$1,100,593</b>	<b>\$897,564</b>	<b>\$675,158</b>	<b>\$431,009</b>

Source: Liberty Twp. financials 2004, 2005, 2006

<sup>1</sup> Adjusted to account for a coding error.

## Forecast Assumptions

By its nature, forecasting requires projections of future events. Differences between projected and actual results are common, as circumstances and conditions assumed in projections frequently do not occur as expected and are based on information existing at the time the projections are prepared. Historical events as well as future plans were considered when developing assumptions and identifying appropriate forecasting methodologies for each line-item in Liberty Twp.'s forecast.

### Revenues

#### *Local Taxes*

Local taxes are the most significant source of revenue for the Township, representing 47 percent of the Township's General Fund revenues in 2006. Property taxes are levied on a calendar year basis against the assessed value of real (residential/agricultural and commercial/industrial), and public utility property located within the boundaries of the Township. Real property is appraised by the Auditor of Delaware County every six years. To avoid large increases in property taxes every six years, a triennial update of property values occurs between reappraisals. Tangible personal property taxes represented approximately 1.4 percent of the Township's local tax revenue in 2006. Tangible personal property taxes are paid by businesses based on the assessed values of the furniture, machinery, equipment, supplies, and inventory used in conducting the business.

**Table 2-2** provides an analysis of the Township's historical local tax collections for the General Fund.

**Table 2-2: Local Tax Revenue 2002-2006**

Revenues:	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006
Local Taxes <sup>1</sup>	\$588,536	\$692,186	\$776,887	\$815,681	\$950,711
Percent Change	N/A	17.6%	12.2%	5.0%	16.4%

**Source:** Liberty Twp. Financial Reports

<sup>1</sup> Includes General Real Estate and Tangible property taxes

The Township's local taxes line-item consists of revenue from real estate and tangible personal property taxes. Tangible personal property taxes accounted for less than 1.5 percent of all local taxes in 2006. While it is typically desirable to forecast these revenues separately, forecasting these revenues together will not have a material impact on the forecast. Therefore, real estate taxes as well as revenue from tangible personal property taxes are combined under the single category of local taxes.

The Township's property tax revenues have increased significantly each year, largely due to significant residential growth. According to US Census Bureau data, Liberty Twp.'s population has increased by 5.5 percent annually between July 2000 and June 2005. This population growth has resulted in a significant amount of residential construction—the Township issued an average of 192 new residential building permits per year during that same period<sup>1</sup>. However, it should be noted that growth was highest in 2001 and 2002. Growth slowed from 2003 to 2005, as the Township issued an average of 174 permits per year. The Delaware County Regional Planning Commission (DCRPC) estimates that the Township's population will continue to grow, albeit at a slower rate than the past five years. The commission estimates a growth rate of approximately 3.1 percent per year through 2010 resulting in an average of 144 new residential building permits annually during that time period.

Historically, local tax revenues have also experienced larger than usual increases in years during which valuation reappraisals and triennial updates occur. Because property taxes are collected a year in arrears, these increases have resulted in higher than usual increases in tax collections in the years following. Specifically, tax collections in 2003 and 2006 (as shown in **Table 2-2**) represent collections from taxes levied during 2002 and 2005.

In projecting future local tax revenues the following was assumed:

Revenues received in 2001 and 2006 increased over prior year revenues by an average of 17.1 percent due to a valuation reappraisal and a triennial update. Similarly, revenues increased by an average of 9.9 percent in years where no reappraisal or update took place. However, growth is projected to slow slightly through the forecast period. As a result, revenues are projected to increase at rates slightly lower than the historical trend. To ensure a conservative forecast, trends were reduced by 10 percent. Revenues for the years 2007, 2008, 2010, and 2011 will not be impacted by updates or reappraisals and therefore are forecasted to experience increases of 8.9 percent. The forecast of local tax revenues in 2009 will be impacted by valuation reappraisals; therefore revenues in this year are forecasted to increase by 15.4 percent. However, because the full implications of the sub-prime lending fallout that began in the latter half of 2007 are only beginning to be identified, it is likely growth rates will slow and property valuations may remain stagnant in future years for counties throughout Ohio. As a result, it is possible that Liberty Township could see a reduction in property tax receipts and should monitor tax revenues frequently to make appropriate adjustments to the forecast.

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<sup>1</sup> Based on data obtained from the Delaware County Regional Planning Commission



The cumulative projections for the Township's local tax collections are as follows:

**Table 2-3: Projection of Local Tax Revenues**

Revenues:	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Local Taxes	\$1,035,459	\$1,127,761	\$1,301,149	\$1,417,135	\$1,543,460
Percent Change	N/A	8.9%	15.4%	8.9%	8.9%

Source: AOS Projections

### Intergovernmental Revenue

Intergovernmental revenue is comprised of monies from other governments, including grants, shared taxes, and advances for support of a particular function or for general financial support. Intergovernmental revenue excludes amounts received from the sale of property, commodities, or services to other governments (these are reported in different revenue categories). These revenues are classified by function and by the level of government where the revenue originated (i.e., federal, State, or local).

Intergovernmental revenue from local sources is primarily composed of State aid and shared taxes transferred to the Township through the County government. **Table 2-4** provides an analysis of the Township's historical intergovernmental revenue (local sources) collections for the General Fund.

**Table 2-4: Historical Analysis of Intergovernmental Revenue (Local Sources)**

Revenues:	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006
Estate Tax	\$308,724	\$827,454	\$178,841	\$335,762	\$4,074
Percent Change	N/A	168.0%	(78.4%)	87.7%	(98.8%)
Local Government Revenue	\$35,845	\$35,449	\$30,412	\$0 <sup>1</sup>	\$76,108
Percent Change	N/A	(1.1%)	(14.2%)	(100.0%)	100.0%
Liquor and Beer Permits	\$14,740	\$11,093	\$14,461	\$18,056	\$15,064
Percent Change	N/A	(24.7%)	30.4%	24.9%	(16.6%)
Cigarette	\$0	\$386	\$164	\$0	\$383
Percent Change	N/A	100.0%	(57.5%)	(100.0%)	100.0%
Property Tax Allocation	\$72,442	\$84,892	\$90,942	\$99,208	\$111,899
Percent Change	N/A	17.2%	7.1%	9.1%	12.8%
<b>Total</b>	<b>\$431,752</b>	<b>\$959,274</b>	<b>\$314,820</b>	<b>\$453,026</b>	<b>\$207,528</b>
<b>Percent Change</b>	<b>N/A</b>	<b>122.2%</b>	<b>(67.2%)</b>	<b>43.9%</b>	<b>(54.2%)</b>

Source: Liberty Twp. Financial Reports

<sup>1</sup> Adjusted by AOS due to inaccuracies detected in financial reports. Total obtained from the county auditor

The Local Government Fund (LGF), Local Government Revenue Assistance Fund (LGRAF), and Library and Local Government Support Fund (LLGSF) comprise the State of Ohio's revenue sharing programs for local governments. The Township receives revenues annually from both the LGF and LGRAF. LGF funds are distributed by the State to local governments in two ways. A portion of the funds are distributed, undivided, to the county auditor in each of Ohio's 88 counties. The County Auditor then divides the funds among each local government within the county. The remaining LGF funds are distributed by the State directly to those municipalities that levy an income tax. Liberty Twp. qualifies for, and receives revenues from only the County Auditor. In 2006 the Township's LGF revenues were significantly higher than any of the previous four years. According to the County Auditor's Office, the Township's 2006 LGF revenues include all payments due from the period beginning November 2004 through December 2006. These payments were withheld because the Township did not submit their budget to the County Auditor by July 20<sup>th</sup>, as required by ORC §5705.30.

Property tax allocations are reimbursements received from the State for the Homestead and Rollback property tax credits. ORC § 319.302 requires county auditors, after application of the tax reduction factors, to reduce all real property taxes by 10 percent. Similarly, ORC § 323.152 grants a 2.5 percent rollback on all owner-occupied properties. Local governments are reimbursed in full by the State for these tax reductions. Liberty Twp. records both of these reimbursements in the property tax allocation line-item. These revenues accounted for approximately 53.9 percent of all intergovernmental revenue in 2006.

Estate tax receipts are the only other significant intergovernmental revenue from a local source. In 2006, the Township experienced a significant decline in these revenues. According to the Township Fiscal Officer, this variance, as well as all others in this line-item, can be attributed to the general nature of the revenue, which depends on highly variable factors such as number of deaths and the wealth level of the deceased.

The assumptions used to project intergovernmental revenue include the following:

- Liberty Twp. will meet all requirements for filing budgetary information with the county auditor and no future disbursements will be withheld.
- Since 2004 the State has frozen Local Government Fund revenues to keep spending on local funds in line with other restrictions on spending. Therefore, no significant fluctuations are anticipated for this line-item. For forecasting purposes, it is assumed that monthly revenues will continue at the five-year average throughout the forecast period.
- The circumstances impacting estate tax revenues in FY 2006 will be considered a one-time event and excluded from historical analysis. Between 2001 and 2005 historical estate tax revenues varied significantly, reaching a high of \$827,454 in FY 2003 and a low of \$178,841 in FY 2004. Since no trend can be identified and revenues are highly variable,

2007 revenues will be forecasted consistent with the lowest revenues received between 2002 and 2005 (\$178,841) and increased by 3 percent each year thereafter to account for inflation.

- Cigarette tax revenues totaled less than \$400 each year between 2003 and 2006. These revenues are received one time annually, typically near the end of the calendar year. Based on a review of the Township's financial transactions, revenues for 2002 and 2005 were not posted until 2003 and 2006, respectively. To account for this delay in posting, these revenues are forecasted in accordance with the average of the last five annual settlements.
- From 2002 to 2006 liquor and beer permit revenues averaged approximately \$14,683 per year, with an average variation of \$3,400. These revenues are considered to present a low risk of error and will be forecasted consistent with the five-year historical average.

The cumulative projections for the Township's intergovernmental revenues are as follows:

**Table 2-5: Detailed Projection of Intergovernmental Revenue**

<b>Revenues:</b>	<b>Forecast 2007</b>	<b>Forecast 2008</b>	<b>Forecast 2009</b>	<b>Forecast 2010</b>	<b>Forecast 2011</b>
Estate Tax	\$178,841	\$184,206	\$189,732	\$195,424	\$201,287
Percent Change	N/A	3.0%	3.0%	3.0%	3.0%
Local Government Revenue	\$35,113	\$35,113	\$35,113	\$35,113	\$35,113
Percent Change	N/A	0.0%	0.0%	0.0%	0.0%
Liquor and Beer Permits	\$14,683	\$14,683	\$14,683	\$14,683	\$14,683
Percent Change	N/A	0.0%	0.0%	0.0%	0.0%
Cigarette	\$186	\$186	\$186	\$186	\$186
Percent Change	N/A	0.0%	0.0%	0.0%	0.0%
Property Tax Allocation	\$116,039	\$120,332	\$124,785	\$129,402	\$134,190
Percent Change	N/A	3.7%	3.7%	3.7%	3.7%
<b>Total</b>	<b>\$344,862</b>	<b>\$354,520</b>	<b>\$364,499</b>	<b>\$374,808</b>	<b>\$385,458</b>
<b>Percent Change</b>	<b>N/A</b>	<b>2.8%</b>	<b>2.8%</b>	<b>2.8%</b>	<b>2.8%</b>

Source: AOS Projections

*Fees, Licenses, and Permits*

The Township's revenues from fees, licenses and permits consist primarily of zoning fees paid to the Township. In 2006, fee, license, and permit revenue represented approximately 11.8 percent of total General Fund revenues. **Table 2-6** provides a historical analysis of the Township's fee, license, and permit revenue collections.

**Table 2-6: Historical Analysis of Fees, License, and Permits**

<b>Revenues:</b>	<b>Actual 2002</b>	<b>Actual 2003</b>	<b>Actual 2004</b>	<b>Actual 2005</b>	<b>Actual 2006</b>
Fees (Zoning)	\$218,151	\$186,443	\$268,734	\$210,088	\$237,538
Percent Change	N/A	(14.5%)	44.1%	(21.8%)	13.1%
Other Fees (FD Inspection Fees)	\$785	\$1,110	\$725	\$625	\$550
Percent Change	N/A	41.4%	(34.7%)	(13.8%)	(12.0%)
<b>Total</b>	<b>\$218,936</b>	<b>\$187,553</b>	<b>\$269,459</b>	<b>\$210,713</b>	<b>\$238,088</b>
<b>Percent Change</b>	<b>N/A</b>	<b>(14.3%)</b>	<b>43.7%</b>	<b>(21.8%)</b>	<b>13.0%</b>

Source: Liberty Twp. Financial Reports

The Zoning Department is responsible for collecting fees for building permits and fines for code enforcement. Revenues in this line-item have experienced significant fluctuations during the last five years. In 2004, revenues increased by 44.1 percent because the Township adopted a new fee schedule. For all other years, the Zoning Inspector did not attribute fluctuations to any specific event. Rather, they appear to be the result of changes in variable workload factors such as the number and types of permit applications submitted.

The Other Fees line-item is composed of fees collected for inspections performed by the Fire Department. These fees represented approximately 0.2 percent of all fee, license, and permit revenue in 2006. As a result, these fees were not considered material and no further analysis was conducted.

The assumptions used to project revenues from fees, licenses, and permits include the following:

- The Township increased fees for zoning inspections in 2004, thereby causing a significant increase in revenues. Since 2004, these revenues have not displayed a consistent trend. Therefore, these revenues will be forecasted at a level consistent with the annual average since 2004, \$238,786.
- The Other Fee line-item totaled less than \$1,110 each year between 2002 and 2006. In addition, during the period from 2001 to 2006 these revenues displayed an average annual change of \$11. Therefore, these revenues are considered to be low risk and will be forecasted at a level consistent with the five-year historical average.

The cumulative projections for the Township's fee, license, and permit revenues were as follows:

**Table 2-7: Detailed Projection of Fees, License, and Permits Revenues**

Revenues:	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Fees (Zoning)	\$238,786	\$238,786	\$238,786	\$238,786	\$238,786
Percent Change	N/A	0.0%	0.0%	0.0%	0.0%
Other (FD Fees)	\$759	\$759	\$759	\$759	\$759
Percent Change	N/A	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>\$239,545</b>	<b>\$239,545</b>	<b>\$239,545</b>	<b>\$239,545</b>	<b>\$239,545</b>
<b>Percent Change</b>	<b>N/A</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

Source: AOS Projections

### *Interest and Miscellaneous Revenues*

Miscellaneous revenues are composed primarily of revenues which, in the Fiscal Officer's judgment, do not reasonably fit into any other designated revenue category. These revenues are categorized based on their source. Interest revenues consist of monies earned through the Township's checking, savings and investment accounts, such as certificates of deposit. **Table 2-8** provides a historical analysis of the Township's interest and miscellaneous revenue collections.

**Table 2-8: Historical Analysis of Interest and Miscellaneous Revenues**

Revenues:	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006
Interest	\$88,352	\$52,736	\$77,849	\$178,287	\$281,815
Percent Change	N/A	(40.3%)	47.6%	129.7%	58.1%
<b>Total (Interest)</b>	<b>\$88,352</b>	<b>\$52,736</b>	<b>\$77,849</b>	<b>\$178,287</b>	<b>\$281,815</b>
Gifts and Donations	\$27,794	\$7,770	\$15,946	\$5,205	\$171,838
Percent Change	N/A	(72.0%)	105.2%	(67.4%)	3,201.3%
Rentals and Leases	\$23,475	\$41,266	\$32,519	\$37,809	\$8,302
Percent Change	N/A	75.8%	(21.2%)	16.3%	(78.0%)
Other – Misc. Non Operating	\$97,865	\$54,533 <sup>1</sup>	\$65,446	\$224,349	\$165,472
Percent Change	N/A	(44.3%)	20.0%	242.8%	(26.2%)
<b>Total (Miscellaneous)</b>	<b>\$149,134</b>	<b>\$103,568</b>	<b>\$113,911</b>	<b>\$267,363</b>	<b>\$345,612</b>
<b>Percent Change</b>	<b>N/A</b>	<b>(30.5%)</b>	<b>10.0%</b>	<b>134.7%</b>	<b>29.2%</b>

Source: Liberty Twp. Financial Reports

<sup>1</sup> Adjusted \$13,581 to account for miscoding

Interest revenues accounted for approximately 13.9 percent of total General Fund revenue in 2006. Interest earned on the Township's investments, checking, and savings accounts are distributed to the following funds:

- General;
- Motor Vehicle License Tax;
- Gasoline Tax; and
- Permissive Motor Vehicle License

The Township does not have a schedule for distributing interest payments to these funds but rather, interest is distributed to the General Fund unless otherwise required by law. More than 98.5 percent of all interest revenues were allocated to the General Fund in each year since 2002. Historically, the Township has experienced large fluctuations in interest receipts based on the cash balances available for investment and the interest rates offered at local banking institutions.

**Table 2-8** indicates that although the adjusted interest receipts fluctuated considerably, they increased significantly from 2004 through 2006. This resulted in an average annual increase of 77.6 percent, primarily due to increases in cash balances and the annual yield of the Township's investments.

The Gifts and Donations line-item consists primarily of revenues collected for concessions at the Township's parks. However, in 2006 revenues increased substantially as the Township received grant monies from the Ohio Department of Natural Resources. These grants totaled \$145,500. The rentals and leases line-item represents revenues received for the rental of facilities at the Township's parks. These revenues vary year to year based on the number and types of rental requests received. Finally, the other-miscellaneous operating line-item consists primarily of franchise fees. These revenues have been generated through an agreement between the Township and a local provider of cable television service also known as a video service provider (VSP). In 2006 these revenues totaled \$97,242, or 58.7 percent of the line-item. However, effective September 24, 2007, Senate Bill (SB) 117 changed the flow of revenue resulting from agreements with VSPs. SB 117 provides for a State franchising system for video service that generally supersedes current local franchising authority. As a result, Liberty Twp. will need to closely monitor VSP fees for potential revenue changes.

The assumptions used to project interest and miscellaneous revenues include the following:

- The average monthly cash balance of the Township's checking account increased by approximately 11.7 percent in 2006. Similarly, the Township's average monthly investments grew by 4.7 percent. Since the Township will have a new Fiscal Officer in 2008, it is uncertain whether it will continue to increase its checking and investment balances. To ensure a conservative estimate, it is assumed that the new Fiscal Officer will reduce cash and investment balances. As a result, interest revenues will decrease. Interest

revenues for 2007 are projected based on the three-year average from 2004 to 2006. Beginning in 2008, a 3 percent increase is forecasted to account for rising interest rates.

- Grant revenues from the Ohio Department of Natural Resources were one-time revenues and will not be included in future years of the forecast. Without these revenues, the Gifts and Donations line-item totaled \$26,783 in 2006. Between 2002 and 2006, gifts and donations averaged \$16,700 per year. This amount has been projected throughout the forecast period.
- Rental and Lease revenues totaled \$8,302 in 2006. This total was significantly lower than revenues in previous years. This decrease could not be attributed to one specific event. Rather, it resulted from decreased demand from the general public. Therefore, 2006 will be considered a one-time occurrence and revenues will be forecasted consistent with the average revenues during the period from 2002 to 2005.
- Revenues from franchise fees increased by 22.1 percent annually since 2003. However, increases in 2004 and 2005 were slightly below this average at 20.0 and 16.5 percent, respectively. In order to provide a conservative projection, future increases will be forecasted at 20.0 percent per year consistent with the median. All franchise fee revenue will be included in the other-miscellaneous line-item.
- All other-miscellaneous revenues (except franchise fees) were forecasted at the five-year historical average, \$45,813.

**Table 2-9: Projected Interest and Miscellaneous Revenues**

<b>Revenues:</b>	<b>Forecast 2007</b>	<b>Forecast 2008</b>	<b>Forecast 2009</b>	<b>Forecast 2010</b>	<b>Forecast 2011</b>
Interest	\$179,317	\$184,697	\$190,237	\$195,945	\$201,823
Percent Change	N/A	3.0%	3.0%	3.0%	3.0%
<b>Total (Interest)</b>	<b>\$179,317</b>	<b>\$184,697</b>	<b>\$190,237</b>	<b>\$195,945</b>	<b>\$201,823</b>
Gifts and Donations	\$16,700	\$16,700	\$16,700	\$16,700	\$16,700
Percent Change	N/A	0.0%	0.0%	0.0%	0.0%
Rentals and Leases	\$33,767	\$33,767	\$33,767	\$33,767	\$33,767
Percent Change	N/A	0.0%	0.0%	0.0%	0.0%
Other Misc. Non Operating	\$162,503	\$185,841	\$213,847	\$247,454	\$287,782
Percent Change	N/A	14.4%	15.1%	15.7%	16.3%
<b>Total (Miscellaneous)</b>	<b>\$212,970</b>	<b>\$236,308</b>	<b>\$264,314</b>	<b>\$297,921</b>	<b>\$338,249</b>
<b>Percent Change</b>	<b>N/A</b>	<b>10.9%</b>	<b>11.8%</b>	<b>12.7%</b>	<b>41.2%</b>

Source: AOS Projections

*Other Financing Sources*

Other financing sources are primarily composed of refunds to the General Fund for expenses recorded in the General Fund. Between 2002 and 2006, the Township recorded an average of \$55,826 per year in this line-item.

**Table 2-10: Historical Other Financing Sources**

Financing Source:	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006
Other Financing Sources	\$61,425	\$63,581	\$3,560	\$12,019	\$124,966
Percent Change	N/A	25.6%	(95.4%)	237.6%	939.7%

Source: Liberty Twp. Financial Statements

As shown in **Table 2-10**, the Other Financing Sources line-item has experienced considerable fluctuation since 2002. These variations are the result of one-time, large value transactions that took place during FYs 2002, 2003, and 2006. These transactions are shown in **Table 2-11**.

**Table 2-11: Other Financing Large Value Transactions**

Year	Amount	Description
2002	\$13,946.00	Refund from County Auditor for taxes paid on tax exempt property
2002	\$28,351.00	Refund from construction company
2002	\$10,731.86	Refund from Bureau of Workers Compensation
2003	\$19,750.00	Community Park Improvement Grant
2003	\$31,660.26	Refund from County Auditor for taxes paid on tax exempt property
2003	\$6,897.77	Refund of duplicate payment
2006	\$78,954.00	Refund of duplicate payment
2006	\$35,000.00	Bond Refund

Source: Uniform Accounting Network (UAN)

**Table 2-12** shows a revised other financing receipt history after adjusting for the large value transactions that occurred from 2002 through 2006.

**Table 2-12: Revised Other Financing Sources**

Financing Source:	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006
Other Financing Sources	\$8,396	\$5,273	\$3,560	\$12,019	\$11,012
Percent Change	N/A	(32.5%)	237.6%	(8.4%)	(37.2%)

Source: Liberty Twp. Financial Statements and AOS

Since other financing sources are not relied on for operating revenues and due to the unpredictable nature of large value transactions, no large value transactions are included in the forecast. Rather, the forecast will be consistent with the five year average of the revised other financing sources (as shown in **Table 2-13**).



**Table 2-13: Projected Other Financing Sources**

<b>Financing Source:</b>	<b>Forecast 2007</b>	<b>Forecast 2008</b>	<b>Forecast 2009</b>	<b>Forecast 2010</b>	<b>Forecast 2011</b>
Other Financing Sources	\$8,052	\$8,052	\$8,052	\$8,052	\$8,052
Percent Change	N/A	0.0%	0.0%	0.0%	0.0%

Source: AOS Projection

## **Expenditures**

### *Salaries and Wages*

Salaries and wages represented approximately 32.5 percent of all General Fund expenditures in 2006, the lowest percentage since 2003. The Township accounts for the salaries of administrative, Zoning Department, and Parks Department employees within the General Fund. The General Fund is also used to account for labor costs associated with cemetery maintenance performed by the Road Department. These expenditures are prorated based on time worked. **Table 2-14** below shows the Township's historical General Fund salary expenditures.

**Table 2-14: Historical Analysis of Salaries and Wages**

<b>Expenditures:</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Administrative Salaries	\$202,228	\$151,970	\$204,918	\$315,505	\$232,137
Percent Change	N/A	(24.9%)	34.8%	54.0%	(26.4%)
Zoning	\$145,753	\$175,377	\$288,591	\$262,532	\$307,602
Percent Change	N/A	20.3%	64.6%	(9.0%)	17.2%
Cemeteries	\$2,347	\$2,019	\$2,585	\$2,160	\$2,238
Percent Change	N/A	(14.0%)	28.0%	(16.4%)	3.6%
Parks and Recreation	\$126,138	\$156,507	\$177,736	\$177,341	\$216,222
Percent Change	N/A	24.1%	13.6%	(0.2%)	21.9%
<b>Total Salaries</b>	<b>\$476,467</b>	<b>\$485,873</b>	<b>\$673,830</b>	<b>\$757,538</b>	<b>\$758,199</b>
<b>Percent Change</b>	<b>N/A</b>	<b>2.0%</b>	<b>38.7%</b>	<b>12.4%</b>	<b>&lt;0.1%</b>

Source: Liberty Twp. Financial Reports

**Table 2-14** shows the Township has experienced large fluctuations in the salaries line-item since 2002. The administrative salaries line-item includes salaries and the Township's pick-up of employee retirement contributions for the Trustees, Fiscal Officer, Assistant to Fiscal Officer, and Administrator. However, prior to 2007 the Township did not have a full-time Administrator or Assistant to the Fiscal Officer. Although historical administrative salary expenditures reflect charges for these positions, these charges represent a prorated portion of salaries for other Township employees performing these tasks. Outside legal counsel expenditures for all non-zoning issues are also charged to the administrative salaries line-item. Increases to these expenditures were the primary cause of increases shown in 2004 and 2005.

The zoning line-item includes salaries, deferred compensation contributions, and the Township's pick-up of employee retirement contributions for the Township's Zoning Department, Zoning

Commission, and Board of Zoning Appeals. Members of the Zoning Commission, Board of Zoning Appeals, and the respective secretaries for these groups are compensated on a per meeting basis. Therefore, historical variations to these expenditures result from variations in the number of meetings held and number of attendees per meeting. The zoning line-item also includes expenditures for legal council for zoning related issues. Since 2002, these expenditures have increased by an average of 19.9 percent per year. However, these expenditures have historically experienced significant fluctuation; the most significant being a 157.1 percent increase in 2004 and 26.3 percent decrease the following year.

The parks and recreation line-item includes salaries, deferred compensation contributions, and the Township's pick-up of retirement contributions for Parks Department employees. Since 2002, expenditures in this line-item have increased by an average of 14.8 percent annually.

Assumptions for projecting General Fund salaries include the following:

- Since 2002, salaries charged to the Trustees' account code within the administrative salaries line-item have increased by an average of 10.2 percent per year. Similarly, salaries charged to the Fiscal Officers account code have increased by an average of 8.5 percent annually. Salaries for these account codes are projected to continue to increase at this rate.<sup>2</sup>
- Within the administrative salaries line-item, historical expenditures have included prorated salaries for Township staff performing the duties of administrator and assistant to the fiscal officer. It is assumed that these positions will be filled and salaries for these tasks will no longer be allocated to the General Fund.
- Administrator salaries will be adjusted to account for the full-time administrator, hired in July 2007. This increase will be prorated for the amount of time worked during the year. Therefore, the total adjustment for 2007 was \$50,000. Beginning in 2008, the adjustment will total \$100,000 with a 4 percent annual increase.
- As noted in the Organization and Personnel Management section, Township resolution 06-202 authorized the hiring of an assistant to the Fiscal Officer. However, this position has not been filled due to lack of workspace in the Township's administrative offices. It is assumed that this position will be filled in 2008. To account for this position, the administrative salaries line-item was projected to increase by \$25,000 in 2008 with a 4 percent annual increase thereafter.

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<sup>2</sup> In addition to salaries for Trustees and the Fiscal Officer, these account codes include expenditures for payroll taxes and the Township's pick-up of the employee contributions to the Ohio Public Employees Retirement System (OPERS).

- Legal counsel salaries in the zoning line-item have not exhibited a consistent long-term trend. However, over the past three years these expenditures ranged between \$66,049 and \$89,645. Therefore, these expenditures are projected based on the three-year average with a 10 percent annual increase for potential legal counsel demands.
- Board and Commission salaries within the zoning line-item are based on the average of the last three years. The forecast also includes a 5 percent annual increase for negotiated and experienced-based increases for the Zoning Department's full-time staff.
- Salaries in the cemeteries line-item have totaled between \$2,160 and \$2,585 since 2002 with an average annual increase of \$58 during that period. Therefore, these expenditures are of low risk and will be forecasted at a level consistent with the line-item's five-year average.
- The parks and recreation line-item includes salaries for Parks Department employees, deferred compensation contributions, and the Township's pick-up of employees retirement contributions. Since 2002, expenditures in this line-item have increased by an average of 14.8 percent annually. These expenditures are projected to continue this trend.
- The Township is currently planning the development of an additional park but has not yet made decisions regarding staffing. Therefore, additional positions are not included in the forecast.

Table 2-15 shows the General Fund salaries and wages projections:

**Table 2-15: Projected Salaries and Wages**

<b>Expenditures:</b>	<b>Forecast 2007</b>	<b>Forecast 2008</b>	<b>Forecast 2009</b>	<b>Forecast 2010</b>	<b>Forecast 2011</b>
Administrative Salaries	\$287,802	\$363,751	\$391,970	\$422,670	\$456,087
Percent Change	N/A	26.4%	7.8%	7.8%	7.9%
Zoning	\$296,635	\$315,386	\$335,466	\$356,980	\$380,045
Percent Change	N/A	6.3%	6.4%	6.4%	6.5%
Cemeteries	\$2,270	\$2,270	\$2,270	\$2,270	\$2,270
Percent Change	N/A	0.0%	0.0%	0.0%	0.0%
Parks and Recreation	\$248,223	\$284,960	\$327,134	\$375,550	\$431,131
Percent Change	N/A	14.8%	14.8%	14.8%	14.8%
<b>Total Salaries</b>	<b>\$834,930</b>	<b>\$966,366</b>	<b>\$1,056,839</b>	<b>\$1,157,470</b>	<b>\$1,269,533</b>
<b>Percent Change</b>	<b>N/A</b>	<b>15.7%</b>	<b>9.4%</b>	<b>9.5%</b>	<b>9.7%</b>

Source: Liberty Twp. Financial Reports

*Personnel Benefits*

Personnel benefits are composed of retirement, health insurance, workers' compensation and other miscellaneous items. **Table 2-16** shows the Township's historical expenditures for personnel benefits for the General Fund.

**Table 2-16: Personnel Benefits Historical Detail**

	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006
Retirement Benefit	\$100,583	\$137,067	\$146,604	\$154,087	\$182,802
Percent Change	N/A	36.3%	7.0%	5.1%	18.6%
Medicare	\$25,407	\$30,917	\$40,948	\$45,721	\$52,890
Percent Change	N/A	21.7%	32.4%	11.7%	15.7%
Insurance Benefits	\$87,488	\$89,184	\$109,889	\$154,764	\$167,639
Percent Change	N/A	1.9%	23.2%	40.8%	8.3%
Pension Fund	\$347,126	\$443,829	\$0	\$0	\$0
Percent Change	N/A	27.9%	(100.0%)	0.0%	0.0%
Miscellaneous Benefits	\$13,731	\$9,390	\$13,099	\$15,125	\$23,736
Percent Change	N/A	(31.6%)	39.5%	15.5%	56.9%
<b>Total</b>	<b>\$574,334</b>	<b>\$710,388</b>	<b>\$310,541</b>	<b>\$369,698</b>	<b>\$427,068</b>
<b>Percent Change</b>	<b>N/A</b>	<b>23.7%</b>	<b>(56.3%)</b>	<b>19.0%</b>	<b>15.5%</b>

Source: Liberty Twp. Financial Statements

Liberty Twp. employees are enrolled in one of two retirement systems; the Ohio Public Employees Retirement System (OPERS) or the Ohio Police and Fire Pension Fund (OPFPF). Employers are required to make contributions to designated retirement systems based on a percentage of earnable salary. Penalties and interest are added for late payments. **Table 2-16** shows that the Township has experienced significant fluctuations in the personnel benefits line-item since 2002. The fluctuations are due, in part, to the method by which the Fiscal Officer allocated OPFPF expenditures to the General Fund. Prior to 2004, the Township made all required payments from the General Fund. However, in 2004, the Township began paying OPFPF contributions from the Special Levy Fund for Fire Department operations.

Personnel benefit expenditures have also reflected the escalation of health insurance costs. Factors contributing to increases in health insurance costs include management of and accounting for health insurance costs, health insurance requirements in collective bargaining agreements,<sup>3</sup> and inflation. Health insurance costs for the Township have increased by an average of 18.6 percent annually since 2002.

<sup>3</sup> While no employees charged to the General Fund are members of the bargaining unit, the Township attempts to provide commensurate benefits to all bargaining unit and non-bargaining unit employees.

Employers are required to pay Medicare taxes equal to 1.45 percent of an employee's total salary.<sup>4</sup> The Township's line item for these expenditures includes Medicare taxes for all Township employees, not just those whose salaries are allocated to the General Fund. Medicare increases since 2002 have ranged from 15.7 percent (2006) to 21.8 percent (2004). Miscellaneous benefits include the Township's social security tax payments and payments to the Ohio Bureau of Worker's Compensation (BWC). Cumulatively, these expenditures have ranged from \$9,390 (2003) to \$23,736 (2006). Due to the relatively low value of these expenditures, these items were not examined in detail.

Assumptions used to project employee benefits include the following:

- Required contributions to the OPFPF will continue to be paid from the Special Levy Fund and the General Fund will incur no charges for these expenses.
- Retirement contribution expenditures are directly linked to salary expenditures. Since 2002 retirements benefits have, on average, equaled 23.1 percent of General Fund salary expenditures. Future retirement benefits expenditures will be projected to equal 23.1 percent of forecasted salary expenditures, as shown in **Table 2-15**.
- Insurance benefits have increased each year since 2002. However, increases have not followed an identifiable trend. Average monthly premium payments increased 12.5 percent from 2005 to 2006. Therefore, the forecast will include a 12.5 percent annual increase.
- Medicare expenditures have increased each year since 2002. The average increase was \$6,871; therefore, the forecast will reflect this trend.
- Since 2002 miscellaneous benefits have not displayed a consistent trend. These benefits represented 5.5 percent of the personnel benefits line item. Therefore, these revenues are considered to be low risk and will be forecasted at a level consistent with the five-year historical average.

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<sup>4</sup> According to the United States Social Security Administration

**Table 2-17: Projected Personnel Benefits**

	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Retirement Benefits	\$192,869	\$223,231	\$244,130	\$267,376	\$293,262
Percent Change	N/A	15.7%	9.4%	9.5%	9.7%
Medicare	\$30,607	\$37,478	\$44,349	\$51,220	\$58,091
Percent Change	N/A	22.4%	18.3%	15.5%	13.4%
Insurance Benefits	\$188,594	\$212,168	\$238,689	\$268,526	\$302,091
Percent Change	N/A	12.5%	12.5%	12.5%	12.5%
Pension Fund	\$0	\$0	\$0	\$0	\$0
Percent Change	N/A	0.0%	0.0%	0.0%	0.0%
Miscellaneous Benefits	\$16,044	\$16,044	\$16,044	\$16,044	\$16,044
Percent Change	N/A	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>\$428,114</b>	<b>\$488,921</b>	<b>\$543,212</b>	<b>\$603,165</b>	<b>\$669,488</b>
<b>Percent Change</b>	<b>N/A</b>	<b>14.2%</b>	<b>11.1%</b>	<b>11.0%</b>	<b>11.0%</b>

Source: AOS Projections

### *Purchased Services*

In 2006, purchased services accounted for 5.3 percent of the Township's total General Fund expenditures. Purchased services consist primarily of contracted services, insurance, utilities, and various other expenditures. **Table 2-18** shows the Township's historical purchased service expenditures from the General Fund.

**Table 2-18: Purchased Services Historical Detail**

	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006
Professional and Technical Services	\$52,694	\$65,271	\$56,232	\$51,009	\$60,239
Property Services	\$4,461	\$7,138	\$11,180	\$5,418	\$11,665
Travel and Meeting Expense	\$816	\$287	\$134	\$1,069	\$822
Communications, Printing, and Advertising	\$2,785	\$3,295	\$1,422	\$6,917	\$5,712
Utilities	\$6,240	\$6,699	\$7,644	\$8,197	\$8,113
Contracted Services	\$10,750	\$294,518	\$57,063	\$15,211	\$12,198
Insurance and Bonding	\$10,569	\$17,428	\$14,362	\$14,693	\$14,864
<b>Total</b>	<b>\$88,315</b>	<b>\$394,637</b>	<b>\$148,037</b>	<b>\$102,514</b>	<b>\$113,613</b>
<b>Percent Change</b>	<b>N/A</b>	<b>346.9%</b>	<b>(62.5%)</b>	<b>(30.8%)</b>	<b>10.8%</b>

Source: Liberty Twp. Financial Statements

Prior to 2005, purchased services expenditures included a significant number of one-time construction expenses. These expenditures were charged to the contracted services line the last were paid in 2004. **Table 2-19** presents purchased services expenditures excluding major construction related expenditures:

**Table 2-19: Adjusted Purchased Services Historical Detail**

	2002	2003	2004	2005	2006
Total Purchased Services	\$88,315	\$394,637	\$148,037	\$102,514	\$113,613
Less: Construction Expenses	\$0	\$262,281	\$45,002	\$0	\$0
<b>Adjusted Purchased Services</b>	<b>\$88,315</b>	<b>\$132,356</b>	<b>\$103,035</b>	<b>\$102,514</b>	<b>\$113,613</b>
<b>Percent Change</b>	<b>N/A</b>	<b>49.9%</b>	<b>(22.2%)</b>	<b>(0.5%)</b>	<b>10.8%</b>

Source: Liberty Twp. Financial Statements, UAN

Assumptions for projecting General Fund purchased services include the following:

- **Table 2-18** shows that all line-items except contracted services had limited variances from year-to-year since 2002. Therefore, these line-items are considered low risk and will be projected based on the five-year average.
- As shown in **Table 2-19**, historical expenditures for contracted services were significantly impacted by one-time expenditures. Therefore, projections based on a short-term trend are more reflective of future operations. A two-year average will be used as the basis to forecast this line-item.

**Table 2-20: Projected Purchased Services Detail**

	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Professional and Technical Services	\$57,089	\$57,089	\$57,089	\$57,089	\$57,089
Property Services	\$7,972	\$7,972	\$7,972	\$7,972	\$7,972
Travel and Meeting Expense	\$626	\$626	\$626	\$626	\$626
Communications, Printing, and Advertising	\$4,026	\$4,026	\$4,026	\$4,026	\$4,026
Utilities	\$7,379	\$7,379	\$7,379	\$7,379	\$7,379
Contracted Services	\$13,705	\$13,705	\$13,705	\$13,705	\$13,705
Insurance and Bonding	\$14,383	\$14,383	\$14,383	\$14,383	\$14,383
<b>Total</b>	<b>\$105,180</b>	<b>\$105,180</b>	<b>\$105,180</b>	<b>\$105,180</b>	<b>\$105,180</b>
<b>Percent Change</b>	<b>N/A</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

Source: AOS Projections

*Supplies & Materials*

Supplies and materials represented 2.5 percent of the Township's General Fund expenditures in 2006. Supplies and materials are those used in repairs, maintenance, and service of the Township's facilities and equipment and are commodities which are ordinarily consumed or expended within one year after they are put to use. The Township's supply and material purchases consist primarily of these items in addition to several computers that should have been accounted for in other line-items. **Table 2-21** shows the Township's historical General Fund expenditures for supplies and materials.

**Table 2-21: Supplies and Materials Historical Detail**

	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006
Office Supplies	\$16,383	\$21,590	\$32,473	\$29,104	\$16,803
Operating Supplies	\$11,289	\$16,722	\$19,641	\$29,928	\$37,561
Other Supplies	\$1,767	\$425	\$1,088	\$333	\$2,268
Tools and Equipment	\$880	\$1,760	\$5,546	\$1,934	\$711
<b>Total Supplies and Materials</b>	<b>\$30,320</b>	<b>\$40,496</b>	<b>\$58,748</b>	<b>\$61,298</b>	<b>\$57,343</b>
<b>Percent Change</b>	<b>N/A</b>	<b>33.6%</b>	<b>45.1%</b>	<b>4.3%</b>	<b>(6.5%)</b>

Source: Liberty Twp. Financial Statements

**Table 2-21** shows that total supply and material expenditures have generally been increasing since 2002. The average total expenditures from 2002 through 2006 were \$49,641. In 2004, expenditures in the office supplies category increased due to the purchase of three computers. Also, in 2004 and 2005, the offices supplies line-item was impacted by costs associated with work performed by the Delaware County Zoning Commission. In 2006, operating supplies increased due to higher fuel expenditures and an increase in equipment repair costs. Finally, in 2004 tools and equipment costs were high due to small equipment purchases for the newly constructed fire station.

The assumptions for projecting General Fund supplies and materials include the following:

- Individual line-item expenditures display significant variances year-to-year and do not provide a clear trend except that over time, total costs have increased. This is due to the discretionary nature of the supplies and materials line-item categories and the increased demand for services due to the Township's growth. From 2002 through 2006 supplies and materials have increased more than 19.1 percent annually. Since growth is expected to continue but at a slower rate, the expenditures will be forecasted consistent with the five year average costs for each line-item with a 10.0 percent per year increase to account for both inflation and demands related to increased growth.



Projections for the Township's supplies and materials expenditures are as follows:

**Table 2-22: Projected Supplies and Materials Expenditures**

	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Office Supplies	\$25,597	\$28,157	\$30,973	\$34,070	\$37,477
Operating Supplies	\$25,331	\$27,864	\$30,651	\$33,716	\$37,087
Other Supplies	\$1,294	\$1,423	\$1,565	\$1,722	\$1,894
Tools and Equipment	\$2,383	\$2,621	\$2,883	\$3,172	\$3,489
<b>Total Supplies and Materials</b>	<b>\$54,605</b>	<b>\$60,066</b>	<b>\$66,072</b>	<b>\$72,679</b>	<b>\$79,947</b>
<b>Percent Change</b>	<b>N/A</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>

Source: AOS Projections

### Capital Outlay

In 2006, capital outlay expenditures represented 34.5 percent of the Township's General Fund expenditures. Capital outlays are expenditures which result in the acquisition of or addition to fixed assets. For example, purchases of land and interest in land, and improvements of sites such as landscaping, grading, and fences are capital outlays. **Table 2-23** shows the Township's historical capital expenditures for the General Fund.

**Table 2-23: Historical analysis of Capital Outlay Expenditures**

	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006
Improvement of Sites	\$32,902	\$47,003	\$15,175	\$558,500	\$721,884
Machinery, Equipment and Furniture	\$32,973	\$17,721	\$105,012	\$17,208	\$56,615
<b>Total Capital Outlay</b>	<b>\$65,875</b>	<b>\$64,723</b>	<b>\$120,187</b>	<b>\$575,707</b>	<b>\$778,498</b>
<b>Percent Change</b>	<b>N/A</b>	<b>(1.7%)</b>	<b>85.7%</b>	<b>379.0%</b>	<b>35.2%</b>

Source: Liberty Twp. Financial Statements

**Table 2-23** shows that the Township experienced large fluctuations within the capital outlay line-item. In 2006 expenditures increased significantly to spend down \$145,055 in grant funding received from ODNR for a parks improvement project. Variances from 2002 through 2005 were the result of the discretionary nature of the expenditures. Since the Township does not have a formal capital plan, capital outlay projects are typically reviewed individually and approved based on the Township's budgetary standing at the time the project is proposed. Some recent examples of significant capital outlay projects include the following:

- 2004: Park and playground equipment (\$55,220)
- 2005: Road Improvements (\$317,000 )
- 2005: New playground equipment (\$146,250)
- 2005: Recreation center roof replacement (\$26,294)
- 2006: Parking lot repaving and repair (\$110,523)
- 2006: Fire Station Improvements (\$147,665)
- 2006: Parks equipment (\$34,978)

Due to the discretionary nature of the expenditures, **Table 2-23** does not display an identifiable historical trend. Therefore, AOS also analyzed capital outlay expenditures greater than and less than \$25,000 for the last five years. This breakdown is shown in **Table 2-24**.

**Table 2-24: Historical Capital Outlay Expenditures by Amount**

	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Average 2002-2006
Expenditures < \$25,000	\$39,201	\$64,723	\$29,417	\$81,534	\$160,916	\$64,773
Expenditures > \$25,000	\$26,674	\$0	\$90,770	\$494,173	\$617,583	\$211,076
<b>Totals</b>	<b>\$65,875</b>	<b>\$64,723</b>	<b>\$120,187</b>	<b>\$575,707</b>	<b>\$778,498</b>	<b>\$275,848</b>
<b>Percent Change</b>	<b>N/A</b>	<b>(1.7%)</b>	<b>85.7%</b>	<b>379.0%</b>	<b>35.2%</b>	<b>124.5%</b>

Source: Uniform Accounting Network (UAN)

As seen in the table above, capital outlay expenditures have been rising at an average of 124.5 percent per year. This underscores the need for long term capital planning (see **R3.2**). While this category is highly variable, some future assumptions can be made based on past expenditures and future expectations. Assumptions for projecting General Fund capital outlay include the following:

- Expenditures less than \$25,000 are based on the five-year average amount spent from 2002 through 2006. This amount is forecasted to increase at an annual 3 percent rate of inflation over the forecast period.
- Expenditures greater than \$25,000 are based on the average of 2005 and 2006 expenditures. These years were considered most reflective of future events as they include costs associated with park upgrades. Since the Township is planning an additional park, it is likely these types of expenditures will continue in the future. The two year average amount of \$556,000 will be held flat over the forecast period.

Projections for the Township's Capital Outlay expenditures are as follows:

**Table 2-25: Projected Capital Outlay Expenditures**

	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Expenditures < \$25,000	\$64,773	\$66,716	\$68,717	\$70,779	\$72,902
Expenditures > \$25,000	\$556,000	\$556,000	\$556,000	\$556,000	\$556,000
<b>Total Capital Outlay</b>	<b>\$620,773</b>	<b>\$622,716</b>	<b>\$624,717</b>	<b>\$626,779</b>	<b>\$628,902</b>
<b>Percent Change</b>	<b>N/A</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.3%</b>

Source: AOS Projections

### Other

In 2006, other expenditures represented more than 6.5 percent of the Township's total General Fund expenditures. These expenditures represent items that are not classified in any other line-item. **Table 2-25** shows historical other expenditures categorized by the originating program.

**Table 2-26: Historical Other Expenditures**

Other Expenditures	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Annual 2006
Administrative	\$430,309	\$67,525	\$30,958	\$62,131	\$22,935
Town halls, Memorial Buildings, Grounds	\$124,312	\$11,516	\$65,257	\$15,203	\$86,806
Zoning	\$7,991	\$24,949	\$27,777	\$36,916	\$25,387
Cemeteries	\$433	\$595	\$0	\$668	\$676
Parks & Recreation	\$14,319	\$12,244	\$18,450	\$16,679	\$12,610
<b>Totals</b>	<b>\$577,363</b>	<b>\$116,829</b>	<b>\$142,442</b>	<b>\$131,596</b>	<b>\$148,415</b>
<b>Percent Change</b>	<b>N/A</b>	<b>(79.8%)</b>	<b>21.9%</b>	<b>(7.6%)</b>	<b>12.8%</b>

Source: Liberty Twp. Financial Statements

Expenditures in 2002 were considerably higher than any other year in the historical analysis. Based on a review of transaction data, this appears to be the result of coding errors. Therefore, 2002 expenditures were excluded from the trend analysis.

The assumptions used to forecast other expenditures are as follows:

- Overall, other expenditures increased by an average of 9 percent from 2003 through 2006. The average amount spent during this time was \$134,821. Since individual departmental expenditures do not establish a clear trend, expenditure line-items will be forecasted to increase by 9 percent annually to reflect the cumulative trend of other expenditures. This increase reasonably accounts for future inflation and the continuing growth in the demand for services.

Table 2-27 shows the projections for the Township's other expenditures.

**Table 2-27: Projected Other Expenditures**

<b>Other Expenditures</b>	<b>Forecast 2007</b>	<b>Forecast 2008</b>	<b>Forecast 2009</b>	<b>Forecast 2010</b>	<b>Forecast 2011</b>
Administrative	\$50,017	\$54,519	\$59,425	\$64,774	\$70,603
Town halls, Memorial Buildings, and Grounds	\$48,718	\$53,103	\$57,882	\$63,091	\$68,770
Zoning	\$31,345	\$34,166	\$37,241	\$40,593	\$44,247
Cemeteries	\$705	\$768	\$837	\$912	\$994
Parks & Recreation	\$16,346	\$17,817	\$19,420	\$21,168	\$23,073
<b>Total</b>	<b>\$147,131</b>	<b>\$160,372</b>	<b>\$174,806</b>	<b>\$190,538</b>	<b>\$207,687</b>
<b>Percent Change</b>	<b>N/A</b>	<b>9.0%</b>	<b>9.0%</b>	<b>9.0%</b>	<b>9.0%</b>

Source: AOS Projections

## Recommendations

**R2.1 The Township Administrator and Fiscal Officer should work together to create specific policies and procedures to ensure reliability and consistency in the development and review of a five-year financial forecast. The policies and procedures should be reviewed and approved by the Trustees. These policies and procedures should address key forecast factors, including parties responsible for information, periods covered, the general development process, assumption development and evaluation, support for assumptions, presentation, and outside consultation. Prior to submission to the Trustees for review and final approval, the Fiscal Officer and Administrator should thoroughly review the forecast for adherence to these policies and work with appropriate officials to amend it as necessary.**

**In order to help address highly sensitive assumptions that can significantly impact the financial forecast, the Fiscal Officer should submit forecasts which illustrate various “what if” scenarios (i.e., best-case, worst-case, and most-likely scenarios). Development of such scenarios as well as the overall forecasting process can be aided by reviewing the five-year forecast developed as part of this audit (see Table 2-1).**

The Fiscal Officer does not prepare a five-year forecast of revenues and expenditures. In addition, the Township does not have formal policies or procedures pertaining to the development and review of a long-term financial forecast. The *Guide for Prospective Financial Information* (American Institute of Certified Public Accountants (AICPA), 2006), identifies the following as guidelines for preparing and reviewing financial forecasts:

- ***Prospective period covered:*** The extent to which historical results are used to develop the forecast should be considered in relation to the length of the forecast period.
- ***Development process:*** Inquiry, observation, review of manuals, memoranda, instructions, examination of analysis models or statistical techniques, and review of documentation should be assessed to obtain a complete and comprehensive understanding of how the forecast was developed.
- ***Development of Assumptions:*** Using knowledge of operations and the economic environment, it should be determined whether assumptions have been developed for all key factors on which the financial results appear to depend.

- ***Procedures to evaluate assumptions:*** Perform those procedures deemed necessary to determine whether the assumptions provide a reasonable basis for the forecast.
- ***Presentation:*** In evaluating preparation and presentation of the financial forecast, procedures should be performed which will provide reasonable assurance that the presentation reflects the identified assumptions, computations are mathematically accurate, assumptions are internally consistent, and accounting principles are consistent with those used for historical data.
- ***Using the work of a specialist/consultant:*** Areas in which the forecast may be enhanced by input from outside sources should be identified and consultants or specialists used when necessary.

In addition, the AICPA *Guide* indicates that financial forecasts may be prepared as the output of a formal system. A formal system consists of a set of related policies, procedures, methods, and practices that are used to prepare financial forecasts, monitor attained results relative to the forecasts, and prepare revisions to, or otherwise update, the forecasts. Financial forecasts may also be prepared via a formal work program. If such a program is used in place of a formal system, it should adequately define the procedures, methods and practices to be employed.

The *Guide* further notes that the presentation of a financial forecast should indicate which assumptions appeared to be particularly sensitive at the time of preparation. Particularly sensitive assumptions are those which would significantly impact the financial forecast from either a high probability of a sizable variation or the probability that a small variation can have a significant impact. When these assumptions exist, forecasts may be supplemented by financial projections that indicate differences in results of operations and the resulting financial position. These projections should be considered in conjunction with a primary forecast that displays conditions expected to materialize based on the best information

By establishing formal policies and procedures for the creation and review of a five-year forecast, the Township can improve its ability to engage in long-term planning activities and improve the reliability of its financial information. By using qualified individuals to thoroughly review the forecast, the Township will be able to proactively identify potential problems and create a reliable projection of revenues and expenditures.

**R2.2 The Township should develop formal procedures to guide the budgeting process, including a budget calendar that specifies timelines and completion dates for tasks. This would help ensure that revenue and expenditure estimates are completed and considered together, as a whole. Formal procedures would also help ensure the appropriate involvement of Department supervisors in developing and adjusting revenue and expenditure estimates. Furthermore, the Township should prepare and publish a formal budget on its web site that includes the elements suggested by GFOA, such as important goals, key performance measures (see R3.3), and a budget summary. By doing so the Township would provide stakeholders with a clearer and more thorough understanding of the budget and its relationship to the strategic plan (see R3.1) and five-year financial forecast (see R2.1).**

According to the Fiscal Officer, the Township attempts to follow a collaborative process for developing a budget for departmental expenditures. The Fiscal Officer meets with Department Supervisors who communicate the needs of their department for the upcoming year. The Fiscal Officer then decides which items will be included in the budget but does not compare proposed expenditures to available revenues. The Township does not develop and publish an official budget document that meets GFOA's suggested elements. In addition, Liberty Twp.'s web site does not provide any financial information such as monthly summaries of total revenue and expenditure activity for each fund.

According to GFOA, a government should establish an administrative structure that facilitates the preparation and approval of the budget in a timely manner. More specifically, GFOA recommends the following elements in the budget process:

- Develop a budget calendar that specifies when budget tasks are to be completed and identifies timelines for those tasks.
- Prepare general policy guidelines and budget preparation instructions for each budget cycle to help ensure the budget is prepared in a manner consistent with government policies and the desires of management and the legislative body. Instructions are necessary so that all participants know what is expected, thereby minimizing misunderstanding and extra work.
- Develop mechanisms for coordinating budget preparation and review, and assign responsibilities.
- Develop procedures to facilitate budget review, discussion, modification, and adoption.
- Identify opportunities for stakeholder input.

GFOA also recommends that governments prepare and adopt a budget that includes the following elements:

- A description of key programmatic and financial policies, plans, and goals;
- Identification of key issues and decisions;
- A description of the short-term and long-term financial plan of the government;
- A guide to the programs the government operates and the organizational structure in place to provide those programs;
- A description of the relationship between the form of accounting used to describe revenues and expenditures in the budget, and the form of accounting used to prepare the annual financial report; and
- A concise summary of key issues, choices and financial trends (GFOA recommends governments prepare a summary of both the proposed and final budget).

GFOA further recommends that performance measures be presented in basic budget materials, including the operating budget document, and be available to stakeholders. At least some of these measures should document progress toward the achievement of previously developed goals and objectives (see **R3.1** and **R3.2**).

Because the process for budgeting expenditures is subject to change without consensus and completed apart from the revenue budget, an overly conservative approach to budgeting has been applied by the Township. This is due, in part, to the lack of formal procedures to guide the process. As a result, the Township ended 2006 with a General Fund cash balance of \$1,043,309. As the Township's average monthly General Fund expenditures were \$187,864, the ending cash balance could sustain operations for approximately 5.5 months. While a substantial carry-over helps ensure the Township can safeguard against unexpected expenditures, it may negatively impact operations, causing the Township to forego desired improvements such as additional staff, increased workspace, or desired public space enhancements (see **R3.2** and **R3.8**).



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**PLANNING AND PERSONNEL  
MANAGEMENT**

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# Planning and Personnel Management

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## Background

This section of the performance audit focuses on Liberty Township's (Liberty Twp. or the Township) planning and personnel management functions. The objective is to analyze strategic planning activities, service coordination opportunities, personnel policies, and collective bargaining agreements to develop recommendations for improvements in operations and, where appropriate, reductions in Township expenditures. Best practice data from the State Employment Relations Board (SERB), peer townships, and other related organizations was used for additional comparisons throughout this section of the report. Finally, data obtained through an AOS-administered survey<sup>1</sup> of Township residents was used to highlight opportunities for improvement in township services.

### *Organization*

Liberty Twp. is governed by a publicly-elected three member Board of Trustees (the Trustees) and a Fiscal Officer, each of whom is elected to a term of four years. The Trustees oversee each of the departments at the township, and are responsible for hiring and terminating employees, establishing employee salaries and benefits, adopting employment and operational policies and procedures, and conducting performance evaluations. According to the provisions of Ohio Revised Code (ORC) Chapter 507, the Fiscal Officer is responsible for recording the minutes of trustee meetings, signing all township checks, filing and publishing financial reports, and keeping records of accounts and transactions. In Liberty Twp., the Fiscal Officer is also responsible for processing payroll.

Liberty Twp. has four departments: Fire, Park, Road, and Zoning. The Fire Department provides fire protection and prevention as well as emergency medical services (EMS). The Park Department is responsible for performing all necessary maintenance and repairs at the Township's two parks. The Road Department provides maintenance, repairs, and snow removal services for approximately 80 miles of roads within the Township. Finally, the Zoning Department is responsible for enforcing the Township's zoning resolution including the acceptance and review of permit applications as well as follow-up inspections to ensure permit compliance. Administrative functions are performed primarily by the Fiscal Officer, Fire Chief, and Administrative Assistant. When necessary, staff from operational departments are used to complete administrative tasks. For example, the Assistant Fire Chief is responsible for managing the Township's information technology contract. Additionally, department supervisors are

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<sup>1</sup> The survey can be found in **appendix 1-A** of the **executive summary**.

responsible for reviewing and approving payroll information, leave time, travel plans and expenses for employees, as well as conducting performance evaluations.

Due to increasing demand for services stemming from significant growth, it has become difficult for township staff to promptly perform administrative duties such as filing financial reports, compiling meeting minutes, and addressing information technology (IT) problems. Therefore, in June 2007, the Trustees created the position of Township Administrator. At the time of the audit, the key responsibility of this position was to provide central leadership and coordination for administrative activities. Township Trustees are currently determining the specific duties of this position.

### *Collective Bargaining Agreements*

Prior to hiring a Township Administrator, the Fire Chief served as the liaison between the Township and the bargaining unit. The Township has a contract with only one bargaining unit, The International Association of Fire Fighters Local #3754 (effective January 6, 2007 through December 31, 2009).

Because contractual issues directly affect the Township's operating budget, some of the contract terms have been assessed for their financial impact on the Township's General Fund. A comparison of the Liberty Twp. contract to those of the peers was conducted in this section to highlight discrepancies that could potentially be areas for cost reduction. Areas of analysis included common contractual provisions such as maximum sick leave accrual, number of paid holidays, uniform allowances, accrual of vacation leave, and employer health insurance contributions. A comprehensive comparison of these provisions can be found in **appendix 3-A**.

Liberty Twp.'s contract provisions are in line with the peers for all categories except sick leave accrual, negotiated wage increases, and employer pick-up of employee retirement contributions. According to the Township, it granted higher negotiated wage increases than its peer in order to achieve its goal to attain "best in class" pay status to maintain "best in class" operations and staffing. Sick leave accrual and retirement contributions are examined in **R3.7** and **R3.8**, respectively. Negotiated wage increases did not yield recommendations as current salary levels compared favorably to the peers. However, salaries could exceed the peers should the Township continue to grant negotiated wage increases in excess of the peers. Similarly, employee contributions to health insurance are minimal. As this is a high cost area for many governments, Liberty Twp. may benefit from examining this area of compensation more closely. Therefore, negotiated wage increases and employee health insurance contributions are included as issues for further study.

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## Recommendations

### *Strategic and Capital Planning*

**R3.1 Liberty Twp. should develop a formal strategic plan that encompasses community input, goals, measurable objectives and action plans as recommended by the Government Finance Officers Association (GFOA). Using the comprehensive plan and informal goals already established by some departments would provide a basis for the strategic planning process. Finally, the strategic plan should be evaluated and updated periodically and publicized on the Township's web site.**

**During the course of the performance audit, Liberty Township initiated a formal strategic planning process.**

Liberty Twp. has developed the following mission statement:

“The Board of Trustees and the employees of Liberty Township are dedicated to maintaining and improving the quality of life for its residents. We will protect the life and property as well as preserve the Township's natural resources, scenic areas and natural beauty.”

While it has a formal mission, the Township does not have a formal, comprehensive strategic plan that establishes goals, objectives, and strategies for each of the Township departments to achieve its mission. However, several Township departments and the Zoning Committee have independently engaged in strategic planning activities. For example, the Township has a Comprehensive Plan which provides a framework for zoning and other land use decisions within the Township, based on relevant studies of the community. It was developed by the Delaware County Regional Planning Commission (DCRPC). This plan addresses the following areas:

- Factors impacting development;
- Analysis of roads, utilities, and open space;
- Development patterns (existing and future);
- Issues and opportunities; and
- Goals and objectives.

While the Comprehensive Plan addresses strategic planning concepts, it was not created by the Township administration and only addresses the zoning function. Furthermore, the Township does not have a process in place to demonstrate how the actions identified in the Comprehensive Plan are to be implemented or rejected.

Strategic planning is a comprehensive and systematic management tool designed to help organizations assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the organization's mission and achieve consensus on strategies and objectives for achieving that mission. According to GFOA, a sound strategic planning process will include the following steps:

- Initiate the strategic planning process under the authorization of the organization's chief executive;
- Prepare a mission statement;
- Assess local, regional, national, and global environmental factors such as strengths, weaknesses, opportunities, threats. factors affecting the community;
- Identify critical issues that reflect stakeholder concerns, need, and priorities;
- Develop a small number of broad goals that address the most critical factors facing the community;
- Create an action plan that describes how strategies will be implemented and how activities and services will be performed, associated costs, designation of responsibilities, priority order, and time frame;
- Develop specific, measurable objectives;
- Incorporate performance measures;
- Obtain approval of the plan from policymakers;
- Implement the plan. Moreover, the strategic plan should drive the operating budget, the capital plan, and other financial planning efforts;
- Monitor progress toward planned goals at regular intervals; and
- Reassess the strategic plan to the extent that external events have long-range impacts. Goals, strategies and actions may need to be adjusted to reflect these changes.

The City of Montgomery, Ohio has established a formal strategic plan that meets recommended practices and emphasizes involvement from citizens. Montgomery uses information from GFOA, the International City/County Management Association (ICMA), and other industries to develop its strategic plan. Montgomery's strategic planning process was initially implemented to create a vision and engage Council in the City's operations during the period 2001 to 2005. Montgomery has continued its strategic planning efforts and developed a new plan for 2006 through 2011. The strategic plan gives its Council and other officials a mutually agreed upon framework to achieve the goals of the city and sets parameters for operational goals for the City's departments.

During the initial stages of its strategic planning, Montgomery performs an environmental assessment and community survey to gather input from both internal and external stakeholders. The City uses a local university to conduct the community survey

and compile results. Subsequently, Montgomery forms volunteer teams with members from all departments to develop, execute, and monitor the plan. All employees have an opportunity to be involved regardless of staff level. The teams meet to brainstorm and identify possible goals over the five year period. Afterwards, the teams and council members meet for a two-day retreat to discuss and prioritize goals for the next five years. Montgomery’s strategic plan is then compiled in a table format with stated goals, strategies to meet goals, assigned staff to oversee the goal, resources required and included in the budget and status and targeted completion dates. The team aligns the strategic plan with the City’s forecast and capital budget. Finally, the strategic plan is adopted by Council and reviewed on a quarterly basis.

The City of Montgomery is significantly larger than Liberty Twp. and has a much wider array of services. Therefore, Liberty Twp. may be able to compile an effective strategic plan without engaging in as extensive an effort as the City of Montgomery. However, the results of the resident survey<sup>2</sup> conducted by AOS indicate that the Township may want to consider implementing a process that includes extensive community involvement.

**Table 3-1** shows selected survey results when residents were asked to express an opinion on issues tied to strategic planning.

**Table 3-1: Survey Results for Strategic Planning**

	<b>Strongly Agree</b>	<b>Somewhat Agree</b>	<b>Neutral</b>	<b>Somewhat Disagree</b>	<b>Strongly Disagree</b>	<b>No Opinion</b>
I receive good value for the taxes I pay.	28.8%	36.5%	11.5%	11.5%	11.5%	0.0%
I am pleased with the overall direction of the Township.	13.2%	28.3%	11.3%	32.1%	15.1%	0.0%
The Township government welcomes citizen involvement.	15.7%	33.3%	19.6%	11.8%	13.7%	5.9%
The Township government listens to citizens.	9.4%	22.6%	20.8%	24.5%	18.9%	3.8%
The Township allocates fiscal resources appropriately.	15.7%	25.5%	23.5%	15.7%	15.7%	3.9%
I am pleased with overall Township leadership of elected officials.	5.7%	18.9%	22.6%	22.6%	30.2%	0.0%

Source: AOS Survey

<sup>2</sup> Complete survey results can be found in the executive summary (appendix 1-A).

While residents generally indicated that they received good value for their tax dollars, they expressed a general displeasure with the management of the Township. Only 41.5 percent of survey respondents strongly or somewhat agreed that they are pleased with the overall direction of the township. Also, a total of 49.0 percent of survey respondents strongly or somewhat agreed that the Township government welcomes citizen involvement, but 43.4 percent somewhat or strongly disagreed that the Township government listens to citizens. These results indicate that Liberty Twp. needs to make a stronger effort to gain community input and promote citizen involvement.

A clearly written, multi-year strategic plan will provide vision and direction for the Township as it continues to expand in population and financial responsibility. It will allow the Township to identify specific priorities for each department and guide the Township's major financial and program decisions. Furthermore, it will communicate to staff how these priorities should be considered when making program and budget decisions. A fully-integrated, Township-wide strategic plan will help Liberty Twp. effectively link resources to intended goals and objectives, and communicate these goals and objectives to stakeholders.

**R3.2 Liberty Twp. should develop a formal Township-wide capital plan that aligns its capital needs with the strategic plan (see R3.1), budgeting process, and financial forecasting initiatives (see R2.1). The capital plan should include key items such as identified needs, maintenance requirements, and funding options. As a part of developing a Township capital plan, administration should communicate with department supervisors to identify workspace needs and future resource requirements and, where appropriate, incorporate these factors into capital decision making.**

**During the course of the performance audit the Township has initiated a capital plan and expects to have it formally in place by the end of 2008.**

Liberty Twp. does not have a capital plan that identifies capital needs and improvements nor has it implemented a consistent process to identify and fund capital acquisitions and repairs. Department supervisors indicated that they attempt to account for capital needs related to machinery and equipment. However, they do so on a department-by-department, short term, and informal basis. In addition, supervisors indicated that in most cases, they are not formally asked to identify capital needs in anticipation of major projects. For example, the parks department supervisor indicated the Township has initiated plans for a new park with recreation facilities, called Havner Park. However, he has been given no indication of how the Township anticipates staffing the facility or acquiring needed equipment. More specifically, the Township does not conduct formal long-term needs assessments or identify full project costs, priorities, and financing



strategies. Capital costs are estimated by each department and submitted to the Fiscal Officer for incorporation into the annual budget. The Fiscal Officer then attempts to ensure the Township can adequately finance the projects or equipment based on the short-term financial outlook.

In addition, the Township has not implemented central planning for facilities-related issues. As a result, limited administrative space has become one of the biggest issues facing the Township. Several employees noted the lack of space as a key issue that has delayed the hiring of additional administrative staff. For example, Township Resolution 06-202 (July 2006) authorized the hiring of an assistant to the fiscal officer. However, as of May 2007 this position had still not been filled. Finally, as noted in the technology section, vital technology components are not housed in an appropriate location.

GFOA recommends that state and local governments prepare and adopt comprehensive multi-year capital plans to ensure effective management of capital assets. In order to get optimum benefit from preventive maintenance, local jurisdictions need to plan for it. Absent planning, maintenance tends to occur when the need for repair arises; typically a more costly alternative to preventative maintenance. Local jurisdictions should include preventive maintenance along with other maintenance projects in long- and short-term maintenance plans that are tied to capital improvement programs, capital budgets, reserved accounts, and operating budgets.

According to *Preventative Maintenance for Local Government Buildings* (Minnesota State Auditor, 2000), a capital improvement program is a schedule of capital improvements, listed in priority order, over a number of years (usually five or more). The capital improvement program's time span typically coincides with the long-range strategic plan. In contrast to the strategic plan, the capital improvement plan is a set of proposed actions for specific projects to meet the needs identified in the strategic plan. If the strategic plan offers a range of alternatives, the capital improvement program identifies a specific course of action the jurisdiction intends to take. Capital improvement programs typically include remodeling and new construction, as well as major maintenance projects.

A prudent capital plan identifies and prioritizes expected needs based on a community's strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs. A capital plan is a component of an entity's strategic plan and is essential to the future financial health of an organization and continued delivery of services to citizens and businesses. A capital plan should not be less than three years in length and should encompass the following steps:

- *Identify Needs:* Governments should identify present and future services needs that require capital infrastructure or equipment.
- *Determine Costs:* The full extent of project costs should be determined when developing the multi-year capital plan.
- *Prioritize Capital Requests:* Continually faced with extensive capital needs and limited financial resources, governments should properly evaluate project submittals.
- *Develop financing strategies:* Financing strategies should align with expected project requirements while sustaining the financial health of the organization.

The City of Montgomery has established a capital improvement program that meets GFOA criteria. The capital improvement plans are completed by the departments and submitted to the Finance Director and City Manager who review the submissions, make adjustments, and submit a draft version to City Council for review and approval. The plan lists the initiatives and anticipated capital needs throughout all City departments. The plan projects funding needs in order to appropriately finance capital improvements and goals for the City. Upon approval, Montgomery's capital improvement plan is incorporated in its financial forecast and aligned with the strategic plan.

Rapid growth has made it difficult for the Township to anticipate its future needs. For example, insufficient administrative space has been identified as problem that has had an adverse effect on operations. However, this issue has not been addressed due to the lack of an established process for capital planning.

Capital planning requires a unified, management-directed process to present information conducive to quality decision making. By receiving and evaluating input provided by stakeholders, Liberty Twp. could develop a capital improvement plan to meet its needs at the lowest cost to the community. This plan can then be used as a tool to properly plan for future needs. A collective planning effort would also better illustrate to the community how capital decisions are made.

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*Performance Measurement*

**R3.3 Liberty Twp. should develop and implement a performance measurement program. This program should include a formal process for compiling and reviewing performance measures for each Department, collectively making decisions based on this process, and subsequently communicating the decisions to the Trustees and the public. Developing a performance measurement program would help Liberty Twp. properly evaluate the overall efficiency and effectiveness of its operations, and demonstrate increased accountability to its citizens.**

**During the course of the performance audit, Liberty Twp. began educating staff about the importance and use of Balance Score card performance measurements. The Township has started tracking performance indicators such as overtime and salt usage.**

According to the AOS survey of Liberty Twp. residents, 73.6 percent of Liberty Twp. residents rated the overall quality of Liberty Twp. services as “excellent” or “good”. However, 85.7 percent of respondents indicated that the quality of Township services has not improved during the last three years. This is notable because the Township does not formally measure the performance of its programs and services. Coupled with the absence of a long-term financial forecast (see **R2.1**), strategic plan (see **R3.1**), and capital plan (see **R3.2**), this hinders the Township’s ability to objectively evaluate the efficiency and effectiveness of services and in turn, make appropriate management decisions regarding service-delivery.

In select instances, departments collect performance data. For example, the Fire Department collects data pertaining to response times, response type, and infrastructure<sup>3</sup>. However, this data is compiled primarily for reporting to the State Fire Marshall and the Township’s insurance provider, as well as for Department level decision making. In the past, the Road Department compiled performance measurement data. However, these efforts were not used to facilitate decision making and therefore were discontinued.

According to GFOA, in planning, management, and budgeting, policy makers and administration should evaluate various aspects of performance. Different measures can be used to provide specific information about the programs and activities undertaken by the government. Among the types of measures most frequently employed by state and local governments are input, output, outcome, and efficiency measures. Each of these types of measures is designed to answer different questions about a publicly provided service or activity.

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<sup>3</sup> Infrastructure includes hydrants, distribution system, and water supply

- **Input measures** address the question of what amounts of resources are needed to provide a particular program or service. Examples of input measures are number of full-time personnel; total employee-hours worked, or total operating expenditures.
- **Output measures** focus on the level of activity in providing a particular program or service. Workload measures, which are designed to show how staff time is allocated to respond to service demand, are most commonly reported. An example of such measure would be the number of pavement miles resurfaced.
- **Outcome measures** focus on the question of whether or not the service is meeting its stated goals. They are used to evaluate the quality or effectiveness of public programs. An example of an outcome measure is the percentage of lane miles in satisfactory condition.
- **Efficiency indicators** measure the cost (either in terms of dollars or personnel hours) per unit of output or outcome.

GFOA recommends that program and service measures be developed and used as an important component of long-term strategic planning and government budgeting. Performance measures should:

- Reflect program goals and objectives that tie to a statement of program mission or purpose;
- Measure program outcomes;
- Provide for resource allocation comparisons over time;
- Measure efficiency and effectiveness for continuous improvement;
- Consist of verifiable, understandable, and timely data;
- Continually be reported internally and externally;
- Have the ability to be monitored and used in the managerial decision-making processes;
- Posses limitations on the quantity and degree of complexity to provide an efficient and meaningful way to assess the effectiveness and efficiency of key programs; and
- Be designed in a way to motivate staff at all levels to contribute toward organizational improvement.

GFOA encourages all governments to use performance measures as an integral part of the budgeting process. Over time, performance measures should be used to report on the outputs and outcomes of each program. GFOA also urges governments to establish a receptive climate for performance measurement. It is essential that stakeholders at all levels embrace the concept of continuous improvement and be willing to be measured against objective expectations. **Table 3-2** provides examples of performance measures for each department within the Township.

**Table 3-2: Performance Measure Example**

<b>Department</b>	<b>Performance Measure Example</b>
<b>Fire Department</b>	Response time from dispatch to arrival on the scene
	Per capita expenditure for fire operations and capital vehicle purchases
	Residential structure fires as a percentage of residential structures
	Fire personnel injuries with time lost
<b>Road Department</b>	Salt application rate per lane mile
	Salt application per snowfall
	Operating costs for paved roads per lane mile
	Operating costs for unpaved roads per lane mile
	Operating costs for winter maintenances of roadways per lane mile maintained
	Percent of paved land mile where the condition is rated as good to very good
	Percent of winter events where the response met or exceeded road maintenance standards
<b>Park Department</b>	Acres maintained per maintenance employee
	Park, greenway, cemetery acreage per maintenance employee
	Park acres maintained per park maintenance employee
	Acres maintained per worker
	Square feet of grounds maintained per groups maintenance full-time equivalent
	Operating and maintenance expenditures per capita
	Revenue earned from parks and recreation activities
	FTE per 1000 population
<b>Zoning Department</b>	Operating and maintenance expenditures per user
	Number of Annual Applications
	Average time to process applications
	Customer satisfaction

**Source:** Snowfighter Salt Handbook, Municipal Performance Project, Municipal Benchmarks – Parks and Recreation, ICMA Comparative Measurements – Parks, ICMA Fire – What Works

Lastly, GFOA states that a key responsibility of state and local governments is to develop and manage programs, services, and their related resources as efficiently and effectively as possible, and to communicate the results to its stakeholders (internally and externally). Performance measurement can be used as a component for decision making. When used in the long-term planning and goal setting process and linked to the entity's mission, goals and objectives, performance measures can assist officials and citizen's in identifying financial and program results, evaluating past decisions, and facilitating qualitative improvements in future decisions regarding resource allocation and service delivery.

### *Personnel and Policies*

- R3.4 With assistance from all department supervisors, the administration should develop a Township-wide personnel policy and procedure manual that is consistent with best practices. To ensure clear guidance, the manual should reference corresponding statutes, specific provisions contained within the contractual agreement, and a description of the employee performance evaluation system. The manual should be reviewed periodically and the administration should make staff aware of any changes before they become effective.**

Liberty Twp. does not maintain Township-wide personnel policies and procedures that formally stipulate management expectations regarding various administrative processes. The Fire Chief indicated that the Fire Department maintains an employee handbook that addresses personnel issues. However, other department supervisors indicated that no handbooks exist for non-bargaining unit staff members. The Township communicates personnel-related work rules through resolutions (passed at the time of hire)<sup>4</sup> and the Township's contractual agreement. Changes to process, procedure, or organizational policy are communicated to employees through their department supervisor. Furthermore, there are topics not covered in the resolutions or agreements that can be applied to all Township employees (e.g., ethics, workers' compensation and performance evaluations, and training). Trustees indicated that the lack of a formal administrator position has hindered the development of such policies and procedures.

According to *Preparation of the Employee Handbook* (Society for Human Resource Management, 2002), the purpose of the employee handbook is to clearly communicate information that is relevant and important to employees. Employee handbooks should be written in clear, non-technical style that is easy to understand and should not be a book of rules or a contract, but rather provide guidelines and information regarding policies and procedures. The handbook should be in a format that can be easily updated and should act

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<sup>4</sup> Employment resolutions are passed for each new employee hired by the Township.

as the official source of policies and procedures for employees. Employees should receive the handbook at the time of hire or when they begin work. They should be asked to read the manual and prepare to discuss any questions they may have about the provisions during orientation. Employees should be required to sign a statement that they have read and understand the material in the handbook.

According to the Ohio Township Association (OTA), personnel policies and procedures are provided to staff as guidelines to be followed when situations occur that are not specifically considered in statute, township resolutions, or applicable labor contracts. Additionally, such policies and procedures are not intended to supersede negotiated contract obligations or legal requirements relating to personnel rules and practices. OTA further recommends that personnel policy and procedure manuals include the following:

- **Preface, Purpose, and Amendment of Rules** – Outlines why the document is important to both the employer and the employee and clearly identifies the document as the official set of personnel policies for the township. Underscores the primary township responsibilities for implementing and enforcing the policies and procedures. Delineates the process for a consistent and equitable amendment process. Clearly instructs all employees to review the personnel policies and procedures and emphasizes that one of its central purposes is to help employees understand employer/employee responsibilities and township personnel procedures.
- **Recruitment and Selection** – Ensures that the applicant pool contains enough qualified individuals so that the most qualified applicant is identified. Facilitates a merit system, whereby township employees are recruited, selected, promoted, and evaluated based on necessary skills, abilities and qualifications. Discourages nepotism.
- **Position Descriptions** – Formally specify those duties and responsibilities that are necessary to fulfill the particular requirements of the position. Serve as building blocks for any personnel system as they can be used in the recruitment and selection, discipline and grievance, and employee evaluation processes.
- **Employee Compensation and Benefits** – Outlines the processes for establishing employees' salaries and wages, benefit packages, and other compensation (e.g., overtime and compensatory time). Formally stipulates what constitutes various leave types (e.g., holiday leave and bereavement leave). Helps balance the needs of township employees with the demands of citizens and taxpayers, while helping to ensure compliance with various federal statutes (e.g., Fair Labor Standards Act).

- **Employee Conduct** – Facilitates smooth operations by structuring the work behavior and interpersonal relations between township employees, elected officials, and township residents. Requires employees to report to work on time, for example, and to avoid insubordination. Prohibits unethical behavior, fighting, discourteous or unprofessional behavior, and limits the use of township equipment.
- **Periodic Employee Evaluations** – Provides relevant feedback to employees and is an essential personnel function of any employer. The purpose of evaluations is to increase employee performance by providing positive and negative feedback. Properly constructed performance evaluation systems benefit organizations at three levels: organizational, supervisory and individual employee. They improve communication, service delivery and productivity.

By relying on resolutions, contracts, and department supervisors to communicate personnel policies and procedures, employees may receive varying interpretations of important information. This could lead to legal issues, inconsistent treatment of personnel, and fraud opportunities. A handbook can provide management with an opportunity to educate employees about various aspects of the organization while helping to ensure consistency in administering the organization's policies and procedures.

**R3.5 Liberty Twp. should develop formal, comprehensive administrative policies and standard operating procedures (SOPs). These policies and procedures should outline the authority of administrative staff, personnel management, financial administration, and any other administrative activity deemed necessary by the Trustees, administration, or department supervisors.**

Liberty Twp. does not have formal policies and standard operating procedures for administrative functions. Until the Township Administrator was hired in June 2007, administrative tasks were performed by the Fiscal Officer and the Fire Chief with assistance from the Administrative Assistant. No administrative policies and standard operating procedures exist to guide employees in performing administrative tasks.

*Guidance for Preparing Standard Operating Procedure (EPA, 2007)*, describes a Standard Operating Procedure (SOP) as a set of written instructions that document a routine or repetitive activity followed by an organization. The development and use of SOPs are an integral part of a successful quality system as it provides individuals with the information to perform a job properly and facilitates consistency in the quality and integrity of a product or end result.



Winfield Township (Montcalm County, Michigan) has developed a comprehensive administrative policies and procedures manual. The manual addresses the following topics:

- **Introduction** – Outlines the purpose of the manual;
- **Township Board Administration** – Details the Board powers, authority delegated by the and how Board meetings should be administered;
- **Personnel Administration** – This section attempts to provide for the efficient and uniform administration of personnel matter including duties of the Personnel Officer, employee record keeping, classification and compensation, employee safety, authorized work force, employee selection, supervision evaluation, discipline recognition and ethical standards;
- **Financial Administration** – Details procedures for accounts payable, payroll, cash receipts, accounts receivable, financial reporting, budgeting, expenditure control, expense reimbursements, investments and audits;
- **Property Management** – Outline hours of operation, building access, security, safety, use of township equipment, labor or premises, public use of township facilities, and routine maintenance;
- **Public Information** – This section includes all details regarding official communication with the public including applicable laws. In addition, this section specifically details who should communicate with the public and how these communications should be conducted; and
- **Public Works** – Includes guidelines for the development and update of the townships capital improvement plan and management of public works projects.

The Winfield Township manual also contains an appendix which summarizes the statutory duties of all township officers. Prior to hiring the Township Administrator, administrative tasks at Liberty Twp. were decentralized. Due to the Township's rapid growth and the increased demand for services, performing administrative activities in a decentralized environment has become increasingly difficult. Therefore, a similar appendix may be useful to Liberty Twp. as it continues to grow and add administrative staff.

The Trustees recognized these difficulties and hired the Township Administrator to provide on-site coordination of administrative processes. However, some functions will still be performed by the Fiscal Officer, several of which are statutorily defined. SOPs will help maintain consistent, high quality processes that are essential to the administration and finance operations by precisely describing them. Carefully drafted policies and standard operating procedures can save management time by empowering department supervisors to resolve issues independently. In addition, the process of developing written procedures provides an opportunity for the Township to think about

its procedures and possibly streamline processes. Finally, SOPs establish internal controls over various aspects of operations. These controls will help the Township ensure the appropriate use of financial and material resources.

### *Collective Bargaining*

**R3.6 Liberty Twp. should formalize its current labor negotiation process into a policy that includes recommended procedures for preparation, negotiation, and follow-up with collective bargaining units. This policy should be approved by the Trustees and formalized in the administrative policy and procedure manual described in R3.5. The Township should also maintain records of negotiations and use them as a tool to prepare for future negotiations.**

**In addition, Liberty Twp. should provide as needed formal training, either through SERB or some other resource, to its designated collective bargaining negotiator. The Fiscal Officer and other members of the management team should also receive training in order to support the primary negotiators when needed.**

Prior to hiring the Township Administrator, the Fire Chief served as the primary collective bargaining negotiator. Future negotiating roles have not been determined or redefined to include the Township Administrator since the existing agreement with the collective bargaining unit does not expire until December 31, 2009. The Township uses legal council during negotiations but the chief negotiator does not work with the Fiscal Officer to compile financial impact scenarios. Similarly, Township personnel have not attended formal negotiation training. The Township does not keep official records of past negotiations because it has a good relationship with the collective bargaining unit and negotiations are rarely contentious.

According to *Collective Bargaining* (SHRM, 2005), preparations for negotiations should include a number of staff within the organization. The entire management team should be included as along with those responsible for human resources functions. For Liberty Twp., this would include the Township Administrator and the Fiscal Officer in addition to the Fire Chief. Preparations should include identification of organizational goals, anticipating the needs of the collective bargaining unit, development of a database of information, and preparation for the possibility of binding arbitration. Organizations are more likely have desirable bargaining outcomes if they are prepared, take a goal-oriented approach, and develop a contingency plan should negotiations break down.

The American Public Works Association (APWA) recommends that an organization establish a collective bargaining policy that includes the following:

- Description of the role of the agency in the collective bargaining process;
- Identification of the collective bargaining team with one member being specified as principal negotiator;
- Description of the bargaining unit or units representing any given group of employees with which the agency will negotiate;
- Authorization of a negotiator to resolve disputes;
- Definition of the relationship of the agency personnel with other members of the bargaining team;
- Ground rules for bargaining in advance of the negotiating process, such as wages, hours, terms and conditions of employment, participating in negotiations based on the principle of “good faith” bargaining, and recording agreements resulting from collective bargaining;
- Representation of the agency on the bargaining team; and
- Provisions for the written record of agreement reached through negotiations to be in the form of a contract signed by representatives from both parties.

Furthermore, SERB offers several different labor negotiations-related training seminars at no cost to government officials. These include introduction to mediation, interest-based bargaining, modified traditional bargaining, and grievance mediation. If necessary, SERB will also meet with both parties and develop a customized training program.

A formal policy will help to integrate the Township Administrator into the collective bargaining process and ensure that, should the Township experience turnover in key management positions, negotiations continue in an effective manner. Also, by providing training in collective bargaining, the Township can ensure that key members of the management team understand changes to labor laws and effectively prepare for negotiations.

**R3.7 During future contract negotiations Liberty Twp. should seek to negotiate a reduction in the maximum number of sick days 56-hour work week employees may accrue. The Township should seek to reduce the maximum number of sick days these employees can accrue from 15 days per year to 9. This reduction would not have an immediate impact, but rather, would help to reduce future financial obligations of the Township. In addition, Liberty Twp. should consider requiring proof of medical treatment for sick leave absences of more than two consecutive shifts.**

Under the provisions of the Liberty Twp. negotiated agreement, firefighters are permitted to accrue 15.04 sick leave days per year while employees on the 40-hour workweek schedule are permitted to accrue 10.75 days per year. By comparison, the peers’ sick

leave accrual averaged 6.58 days per year<sup>5</sup>. The highest accrual offered by any peer was 9.00 days per year, or 67 percent less than Liberty Twp.

Liberty Twp.'s sick leave accrual for 56-hour employees is substantially higher than any of the peer townships. Per the Township's negotiated agreement, sick leave can be accumulated and carried over from year to year without limit. Upon retirement the Township pays 25 percent of the value of accrued sick leave, provided the maximum shall not exceed the value of 540 hours of such leave.

Since Liberty Twp. does not offer full payment, employees may be encouraged to use a portion of accrued sick leave prior to retirement rather than receiving a devalued amount for their time. Provisions, such as those included in the Genoa Township or the Phoenix Fire Department that require a physician's statement or medical excuses for sick leave absences of more than two consecutive shifts, would reduce the potential for sick leave abuses. Further, with no limit on sick leave accrual, the Township could incur additional on-going costs for overtime if excess leave use occurs. However, due to the variable nature of sick leave use, a financial implication could not be determined.

The Township should seek to negotiate a decrease in the current sick leave accrual rate. Decreasing sick leave to the recommended accrual levels could decrease the Township's costs to maintain minimum staffing levels should sick leave occur. In addition, if employees attempted to expend unused sick leave in large amounts prior to retirement, the Township could also be faced with substantial unexpected cost increases.

**R3.8 Liberty Twp. should negotiate a phase out of the 10 percent retirement pick-up for employees covered by the collective bargaining agreement<sup>6</sup>. Pick-up of the employee's share of retirement contributions is typically individually negotiated only by top administrators. While paying a portion of all employees' retirement share is allowed under State law, it inflates the employee's total compensation and increases Township's compensation costs.**

The negotiated agreement requires the Township to pay the full employee share of required contributions (currently 10 percent of salary) to the Ohio Police & Fire Pension Fund (OPFPF). In FY 2006, the Township's pick-up of the employee share increased costs by an estimated \$246,000. However, it should be noted that these costs were charged to the Special Levy Fund and therefore did not impact the General Fund. The Township's contribution eliminates the amount that the employees must contribute to retirement.

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<sup>5</sup> Sick leave accrual for Genoa Township varies based on years of service. The peer average is calculated based on the highest accrual possible.

<sup>6</sup> For employees not covered by the collective bargaining agreement see Issues for Further Study in the Executive Summary

Table 3-3 compares the Township’s compensation to the peer average.

**Table 3-3: Compensation Comparisons**

	Liberty Township		Peer Average		Liberty	
	Hrly	Annual	Hrly	Annual	Above (below) Peer Average	
<b>Firefighter/Paramedic (56 hr.)</b>						
Start	\$13.94	\$40,584.54	\$15.28	\$41,857.47	(\$1.34)	(\$1,272.92)
Step 3 (fourth year)	\$20.46	\$59,579.52	\$19.23	\$51,352.64	\$1.23	\$8,226.88
<b>Lieutenant (56 hr.)</b>						
Start	\$21.84	\$63,583.52	\$19.32	\$56,324.64	\$2.52	\$7,258.88
Step 1 (2nd year)	\$22.77	\$66,306.24	\$20.62	\$60,114.12	\$2.16	\$6,192.12
<b>Fire Inspector (40 hr.)</b>						
Start	\$20.68	\$43,014.40	\$25.62	\$53,289.60	(\$4.94)	(\$10,275.20)
<b>Sr. Fire Inspector or Step 1 Fire Inspector</b>						
Start/Step 1	\$23.90	\$49,718.24	\$27.63	\$57,470.40	(\$3.73)	(\$7,752.16)

Source: Negotiated Agreements

Note: Where applicable, Table 3-5 includes pick-up amounts. Liberty and Perrysburg are the only townships that have retirement contribution pick-up provisions in the Negotiated Agreements.

As shown in Table 3-5, Liberty Twp. compensation rates for lieutenants and firefighters with four years of experience are significantly above the peer average. It should be noted that 78 percent of Fire Department employees (40 of 51) fall into one of these classifications.

Picking up a portion of the employee’s share of retirement contributions is an additional and unnecessary expense. By negotiating a phase-out of the retirement pick-up over a several-year period, Liberty Twp. will save money while still offering salaries and benefits that are competitive.

**R3.9 In conjunction with R3.5, Liberty Twp. should implement a formal, centralized purchasing process. The Township should strengthen its internal controls by establishing formal authorized purchasing limits for department supervisors. To facilitate this process, the Township should follow through on its commitment to provide an assistant to the Fiscal Officer as established in resolution number 06-202. Furthermore, the Fiscal Officer should develop, implement, and distribute a purchasing manual to all departments to ensure the purchasing process is followed consistently.**

During each of the last three financial audits, the Township received citations resulting from its purchasing process. The Township does not have a central purchasing department or central authority responsible for generating and processing purchase

documentation. Department supervisors make most purchases without prior approval, provided they notify the Fiscal Officer before or after the purchase has been made and submit a receipt. For larger purchases, Supervisors submit requisitions to the Fire Chief and then to the Trustees. Supervisors do not have formal spending limits. Rather they use informal guidelines to determine when purchases need to be submitted for prior approval. For example, the road department supervisor reported being able to spend up to \$1,500 before requesting additional approval while the Park Supervisor indicated that requisitions are submitted when the purchase is over “several hundred” dollars. The Fiscal Officer stated that at times, she does not receive receipts or documentation for the purchase from the purchaser. Often, she has to follow-up with the vendor to obtain appropriate documentation.

The International City/County Management Association (ICMA) has recognized the City of St. Clair Shores (Macomb County, Michigan) purchasing ordinance as a model for other governments. The ordinance addresses the competitive bidding procedures, and policies and standards for the City’s purchasing or contracting process. It is composed of six sections:

- **Purpose of Purchasing Policies:** Outlines the purpose of the ordinance and the intent of the City’s purchasing function.
- **Organization and Authority:** Specifies key positions in the organization and their respective role in the purchasing process.
- **General Purchasing Policies:** This section details procedures for purchases less than \$5,000, between \$5,000 and \$10,000, and \$10,000 and above. Also outlines procedures to be followed in case of emergency.
- **Disposal of Property:** Outlines methods for the disposal of property and places the responsibility for disposal with the City Manager.
- **Standards of Conduct:** Since purchasing involves the use of public funds, the City believes certain standards should be applied to all purchases made by the City.
- **Amendments to Purchasing Policies:** This section outlines procedures for changing the City’s purchasing policies.

The Fiscal Officer attributed the lack of purchasing consistency to not having sufficient administrative support in the Township's fiscal operation. This opinion was also expressed by an independent public accountant (IPA) during the Township's last financial audit. In response, the Trustees passed resolution 06-202, authorizing the hiring of an assistant to the Fiscal Officer. However, this position has not been filled due to lack of workspace in the Townships administrative offices.

By maintaining adequate staffing levels and formalizing its purchasing process, Liberty Twp. can ensure that purchasing procedures are clear and administered in a consistent manner. The lack of documented procedures contributes to weak internal controls and increases the risk of fraud. Without appropriate purchasing controls in place, Township funds could potentially be misused for inappropriate, unnecessary, or overpriced purchases. By having appropriate controls, the Township can exercise greater authority in determining if the expenses are appropriate and necessary.

## Appendix 3-A: Comparison Tables

**Table 3-4: Peer Comparison of Negotiated Agreements (56-Hour Employees)**

	Liberty Township	Orange Township	Genoa Township	Perrysburg Township
<b>Length of Work Day</b>	24 hours	24 hours	24 hours	24 hours
<b>Number of Holidays</b>	10	10	10	10
<b>Vacation Leave (hours)</b>	Year 2 - 7: 120 Year 8 - 14: 168 Year 15 - 24: 224 Year 25 up: 280	Year 1 - 2: 120 Year 3 - 5: 144 Year 6 - 10: 192 Year 11 - 15 : 240 Year 16 and up: 288	Year 1 - 5: 120 Year 6 - 10: 168 Year 11 - 15: 224 Year 16 - 20: 252 Year 21 -25: 280 Year 26 and up: 300	Year 2-6 : 96 Year 7-12: 170 Year 13-21: 224 Year 22 and up: 279
<b>Personal Leave (with pay)</b>	NA	NA	48 hours	NA
<b>Sick Leave Accrual (Per Year)</b>	361 hours per year	216 hours per year	100 - to 123 hours/ year <sup>1</sup>	136 hours per year
<b>Health Insurance Contributions</b>				
Single Plan	\$15/month	\$0	\$30/month	1% of Annual Salary
Family Plan	\$25/month	\$0	\$60/month	2% of Annual Salary
<b>Negotiated Wage Increases</b>	2007 - 5% 2008 - 5% 2009 - 5%	2007 - 4% 2008 - 4% 2009 - 4%	2006 - 4% 2007 - 4% 2008 - 4%	2005 - 2.75% 2006 - 2.75% 2007 - 3%
<b>Longevity Pay</b>	\$300.00 after 5 years + \$25/yr for each yr of employment until 2006; Beginning with yrs of service in 2007 and thereafter, \$50/yr. of service	\$300 for years 5 - 9 \$600 for years 10 - 14 \$900 for years 15-19 \$1,200 for years 20 and above	\$350 after 5 yrs plus \$50 each year thereafter	\$60 per year after 3 years \$75 per year after 5 years
<b>Uniform Allowance</b>	\$600 per year	\$550 in 2007 \$600 in 2008 \$700 in 2009	\$550 per year plus up to \$35/month for dry- cleaning	Stated uniforms for new employees and replacements. Dollar amount not provided
<b>Other Allowances</b>	NA	NA	Replace contacts/glass up to \$200, watches up to \$100, wedding bands up to \$100 per occurrence	Replace eyeglasses \$220 per year, \$75 for wristwatch
<b>Compensatory time</b>	Optional 1.5 hrs Comp time in lieu of overtime pay	Optional 1.5 hrs Comp time in lieu of overtime pay	Optional 1.5 hrs Comp time in lieu of overtime pay	Optional 1.5 hrs Comp time in lieu of overtime pay
<b>Overtime Provisions</b>	1.5 times regular rate	1.5 times regular rate	1.5 times regular rate	1.5 times regular rate

Source: Liberty Twp. and peer negotiated agreements

<sup>1</sup> Based on longevity



For most contract provisions, Liberty Twp.'s 40-hour per week employees are subject to the same provisions as 56-hour per week employees. The categories for which discrepancies exist are shown in **Table 3-5**.

**Table 3-5: Peer Comparison of Negotiated Agreements (40-Hour Employees)**

	<b>Liberty Township</b>	<b>Orange Township</b>	<b>Genoa Township</b>	<b>Perrysburg Township</b>
<b>Length of Work Day</b>	8 hours	8 hours	8 hours	8 hours
<b>Vacation Leave (in hours)</b>	Year 2 - 7: 80 Year 8 - 14: 120 Year 15 - 24: 160 Year 25 up: 200	Year 1 - 2: 80 Year 3 - 5: 96 Year 6 - 10: 120 Year 11 - 15 : 136 Year 16 and up: 160	Year 1 - 5: 81 Year 6 - 10: 120 Year 11 - 15: 160 Year 16 - 20: 179 Year 21 and up: 200	Years 2-6 : 81 Years 7-12: 120 Years 13-21: 161 Years 22 and up: 200
<b>Personal Leave (with pay)</b>	NA	NA	24 hours	NA
<b>Sick Leave Accrual (Per Hour Worked)</b>	86 hours per year	116 hours per year	72 - 88 hours per year	136 hours per year

Source: Liberty Twp. and Peer negotiated agreements

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# Technology

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## Background

This section of the performance audit focuses on technology functions within Liberty Township (Liberty Twp. or the Township), including planning and oversight, staffing and organization, hardware and networking, software integration, and the Township's allocation of technology resources. The Township's technology practices were compared to peer townships,<sup>1</sup> as well as best practices identified by the Information Technology (IT) Governance Institute (ITGI) and the Office of the Legislative Auditor (OLA) of the State of Minnesota. Additional comparisons were made to practices in place at other government entities including Kitsap County (Washington) and Miami Township (Clermont County, Ohio). Finally, the Auditor of State (AOS) administered a survey of residents to gauge their overall satisfaction with Township services, a portion of which focused on technology.

Liberty Township does not have a department dedicated to IT support. The Township contracts with Info-Link Technologies, Inc. (Info-Link) for most of its IT support needs. Info-Link provides on-site and remote IT services that include network support and system maintenance, hardware and software installation, hardware repair, and off-site data storage. In addition, Info-Link provides consulting services for the Township. These services have ranged from recommendations aimed at correcting specific problems to detailed assessments of the Township's IT infrastructure. The most recent assessment of the Township's IT infrastructure was completed in 2007.

Consistent with the terms of its contract, Info-Link provides the Township with an on-site consultant one eight-hour work day per week. For those functions that are performed in-house, the Township relies primarily on the Assistant Fire Chief and the Fire Department Administrative Assistant. The Assistant Fire Chief manages the contract with Info-Link and serves as the initial contact when a technology issue arises. When problems can not be resolved in-house, Info-Link is contacted for assistance. The Fire Department Administrative Assistant's primary technology-related responsibility is to publish and update the web site based on information received from department heads.

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<sup>1</sup> See the **executive summary** for a list of the peer townships.

## Recommendations

**R4.1 As part of its strategic plan (see R3.1) Liberty Twp. should develop a formal IT plan. The Township should identify IT goals and objectives and perform an internal evaluation of its IT services to identify gaps between current capabilities and future needs. This evaluation should include a review of services performed in-house and contracted out, hardware life-cycle management practices, policy development, and user training and support.**

Over the years, Liberty Twp. has not been actively engaged in formal planning for IT related issues. Instead, IT changes and upgrades are usually made when problems occur. Recently, Liberty Twp. has recognized the importance of future IT planning and has started by trying to understand its IT capabilities and necessary future improvements. In January 2007, Liberty Twp. contracted with Info-Link to perform an assessment of its IT resources. The purpose of the assessment was to provide a comprehensive picture of the size and health of the Township's IT system. The assessment resulted in 12 recommendations for IT improvements based on formal IT goals and objectives with an estimated total cost of about \$65,000.

According to *Control Objectives for Information and Related Technologies* (ITGI, 2000), a strategic plan should balance IT opportunities and IT business requirements or needs. By engaging in a regular strategic planning process for IT, an organization can facilitate the development of long-term plans. Long-term plans can then be translated into operational plans which set clear and concrete short-term goals. Some areas to consider in the IT planning process include the following:

- Enterprise business strategy;
- Definition of how IT supports agency objectives;
- Inventory of technological solutions and current infrastructure;
- Monitoring the technology markets;
- Timely feasibility studies and reality checks;
- Existing systems assessments;
- Enterprise position on risk; and
- Need for senior management buy-in, support and critical review.

Kitsap County, Washington has developed a comprehensive technology plan which includes many of the elements recommended by ITGI. The Kitsap County IT plan is divided into the following four elements:

- **A Planning for Technology phase** which outlines specific goals, objectives, and challenges.
- **A Current Technology Assessment phase** which provides a review of the current IT environment and existing standards for hardware, data communication, databases and application software.
- **An Information Technology Initiatives phase** which contains a recap of outstanding technology initiatives from the prior year; a detailed listing of current year technology initiatives; and proposed initiatives for future years.
- **A Vision for the Future phase** which discusses emerging trends in technology and how they might shape future operations. Where possible, new uses for existing technologies that might have a future impact are discussed.

It should be noted that Kitsap County is significantly larger in geographic area, number of employees, number of residents and revenues and expenditures than Liberty Twp. Presumably, the county has a substantially greater investment in IT infrastructure. Therefore, the level of detailed planning required to manage Liberty Twp's resources would be similar but on a smaller scale. The Township could address each of the elements discussed above as a component of the overall strategic plan (see **R3.1**). This would improve the Township's use of resources dedicated to the IT function as expenditure decisions would be more proactive.

In order to build a successful IT plan, the Township needs to implement a strategic planning framework that includes resource allocation as a part of its action steps. Furthermore, the plan must be supported by the administration, Board of Trustees (Board), and relevant stakeholders. Sharing the IT plan with the community and the Board will help ensure that it has the best chance to receive the full support of decision-makers and taxpayers. Collaborative input from the Board, administration, employees, and community will also provide the community with a greater sense of ownership in the Township's IT plan.

**R4.2 As Liberty Twp. increases the level of technology use, it should evaluate the opportunity to reduce contracted IT services in favor of establishing a dedicated in-house IT function. Developing an in-house IT function would help promote the use of IT resources in the day-to-day operation of the Township.**

**During the course of the performance audit, the Township acknowledged the importance of an IT support staff strategy and has committed to seeking competitive bids for service in 2009.**

Dedicated technology support is only available to Township employees one day per week. Although Township employees expressed no complaints with the quality of the services performed by Info-Link, they did note that the number of repairs completed is limited by the length of time it takes to address major issues. This limitation contributes to the potential for delays in support or repair assistance. In one instance, a newly promoted fire fighter was provided with a laptop computer necessary to perform employment responsibilities; however, IT support did not have time to configure the computer for use for several weeks. While the Assistant Fire Chief works to resolve outstanding IT issues when Info-Link is not on-site, IT responsibilities are secondary to his regular job duties.

Info-Link, in its assessment of Liberty Twp.'s IT resources, cited the lack of daily on-site IT support as a substantial business disruption. To address the issue, Info-Link recommended that the Township upgrade its service contract to two days of on-site support per week. Based on the existing contract, this upgrade would cost the Township an additional \$15,500 per year, bringing the total annual cost of contracted support to approximately \$31,000. However, these costs do not include any additional cost incurred for projects outside of day-to-day support. Due to the increasing costs to provide sufficient IT service and the identified limitations to the current on-site support, the Township should evaluate of the costs and benefits of establishing an in-house IT function.

*Managing Local Government Computer Systems* (Minnesota Office of the Legislative Auditor (OLA), 2002), provides a framework for evaluating in-house and outsourced IT services. While most local governments rely on their own staff to manage some parts of their computer systems, few have the in-house expertise necessary to manage every aspect of the system. Therefore, vendors are often used for computer system maintenance and other specialized functions. However, the extent to which vendors are used for day-to-day operations varies based on an entity's individual needs.

**Table 4-1** compares the advantages and disadvantages of using contracted and in-house IT services.

**Table 4-1: Comparison of Contracted and In-House IT Services**

	<b>Contracted Services</b>	<b>In-House Services</b>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• Specialized expertise or opportunities to avoid purchasing certain software or equipment;</li> <li>• Technological expertise to develop or manage sophisticated applications;</li> <li>• Hire and retention of skilled staff, reducing the local governments’ need for placing similarly skilled staff of their payrolls; and</li> <li>• Easily identifiable costs tied to the specific services provided.</li> </ul>	<ul style="list-style-type: none"> <li>• Provides local governments with control over IT service and features;</li> <li>• In-house knowledge of its applications and the ability to set its own timelines for modifying applications or equipment;</li> <li>• Quick, focused response;</li> <li>• Specialized applications tailored to unique needs;</li> <li>• Computer services contract management avoidance; and</li> <li>• Direct control over sensitive information.</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>• Contract management and the risks involved with relying on external organizations for technology services;</li> <li>• Technological disruption, data inaccessibility, and data security should the vendor go out of business. Loss of control over service improvements; and</li> <li>• Generic applications or services designed for large customer base.</li> </ul>	<ul style="list-style-type: none"> <li>• Qualified staff may be costly to hire, difficult to retain require ongoing training;</li> <li>• Specialized applications require certain skills that can be expensive and time consuming to develop;</li> <li>• Employing too few IT staff could jeopardize the effectiveness of a computer system.</li> </ul>

**Source:** *Managing Local Government Computer Systems* (OLA, 2002)

As a component of evaluating the appropriateness of in-house versus outsourced IT support, the Township should ensure that it considers the following:

- The role of information technology in completing critical tasks.
- The best location for technology staff in the organization.
- The full cost of computer systems, including estimates of total costs over the life cycle of equipment as well as the costs of hiring, compensating, and training staff.
- The priorities among competing technology projects.
- Appropriate contract management practices, as most systems will still require services from outside providers.
- The services which need to be automated; only technology that clearly supports these programs or data should be used.



- Use of planned computer replacement programs to avoid fragmentation.
- Options open to management within the context of the Township’s demographic, financial, and political characteristics.

Although the Township has been pleased with both the price and quality of the services received under contract, it is experiencing considerable growth which may result in the expansion of services and the addition of facilities. While the issue of support timeliness is manageable at the present time, expanding services or adding facilities would result in increased demand for IT services and related computer support requirements. Therefore, it may be necessary to increase the amount of on-site IT support.

**Table 4-2** projects the Township’s on-site IT support costs under the current contract pricing, should it require additional days of service.

**Table 4-2: Projected On-Site IT Support Costs**

Days per Week	Minimum Monthly Cost	Minimum Annual Cost
1	\$1,295	\$15,540
2	\$2,590	\$31,080
3	\$3,885	\$46,620
4	\$5,180	\$62,160
5	\$6,475	\$77,700

Source: AOS Projections

As the Township improves its IT planning, it will gain a better understanding of the support requirements needed to maintain optimal service levels. Based on this understanding, the Township can then determine the point at which developing in-house IT support becomes more cost effective than contracted service.

**R4.3 Liberty Twp. should plan to expand the availability of electronic government (e-government) services. Specifically, the Township should seek to provide residents with on-line options for completing forms, reserving facilities, and providing feedback about the quality of Township services. The Township should also promote a greater level of accountability by providing up-to-date information about resolutions, services, and applicable local news.**

Liberty Twp’s web site offers residents a limited amount of information and on-line services. The web site contains a brief overview of each department, contact information for elected officials and management staff, and downloadable forms for zoning permits and park reservations. In addition, the web site features downloadable records of proceedings.

However, several common documents, such as financial reports and the budget, were not available on the Township's web site. Other items on the web site were found to be outdated; as in the case of Township resolutions that have not been updated since October 2005. Forms which are available on-line lack the capability to be electronically re-submitted. Finally, relevant local information, such as changes in services, local government accomplishments, or updates to ongoing projects, was not included on the site.

AOS conducted a survey of Liberty Twp. residents and found that only 40.9 percent of respondents reported being "satisfied" or "somewhat satisfied" with the quality of the Township's web site. Similarly, 38.7 percent of respondents indicated they are "satisfied" or "somewhat satisfied" with the services of the Township's web site. **Table 4-3** shows resident responses when asked what services they would use if the services were available on-line.

**Table 4-3: Resident Support for Proposed On-Line Services**

Answer Options	Response Percent
Action line (suggestions, request info, request action)	34.9%
Register recreation programs	32.6%
Park rentals	32.6%
Pay zoning and permit fees	30.2%
None	37.2%
Other	7.0%

Source: AOS Survey Results

Survey respondents also indicated they would not be willing to pay a fee to support e-government services. Therefore, should the Township choose to engage in any of these activities it should be aware that the use of services will likely be diminished if fees are assessed. It should also be noted that current network limitations might impact the Township's ability to implement some of the services noted above. For example, the Parks Department does not have Internet access and therefore cannot communicate through email regarding matters such as park rentals or registration for programs. Implementing these types of services would require the Township to expand connectivity to the Parks Department.

Miami Township (Clermont County) provides a number of the services identified above at no charge to its residents. The Center for Public Management and Regional Affairs also recognized Miami Township as having sophisticated web site technology. Miami Township's web site provides current township news, on-line form retrieval and submission, highlights of current and historical budgetary information, and an "Action Line" which allows users to reserve a facility, provide general comments, request information or services, or file a complaint.

Because of the Township's limited on-site IT support and the allocation of web site responsibilities as secondary job duties, web site updates and enhancement do not receive priority status. Also, because the Township has not performed a formal evaluation of its web site or created a long-term vision for enhancing e-government services, it lacks a clear plan to expand existing resources.

A high quality web site would enhance the Township's ability to provide on-line services, and promote greater stakeholder participation and accountability. Improving its web site would also help to address some of the issues noted in the AOS survey, thereby increasing customer satisfaction.

**R4.4 Liberty Twp. should evaluate its current practices for preserving physical hardware, primarily network servers. Because infrastructure is costly, the Township should identify and evaluate potential changes to its infrastructure and incorporate both the short-term and long-term costs into its technology plan (see R4.1). The costs should then be included in the Township's financial forecast (see financial forecast). This approach will help the Township better plan for and finance future IT infrastructure costs.**

**During the course of the performance audit, the Township identified a more suitable server location and has committed to move servers to that space within 60 days.**

Township servers are stored in cabinets in a closet type space that lacks proper temperature controls and appropriate security measures. Staff also noted that the server storage area has experienced water damage from leaks. Info-Link recommended that the Township move its servers to a more appropriate location. In addition, the Township is considering an upgrade of system capacity which calls for replacement and consolidation of the current servers. Servers are expensive and critical to IT operations; therefore proper housing and security should be a priority.

*Control Objectives for Information and Related Technologies* (ITGI, 2000), outlines appropriate controls for securing hardware systems. Some controls organizations should implement are the following:

- **Protection against environmental factors** – Organizations should have procedures to ensure proper air conditioning, ventilation, and humidity control. Organizations should also review expected response scenarios for various loss or unanticipated extremes.

- **Physical security** – Organizations should ensure that equipment location is not externally obvious. Equipment should be located in the least accessible area and accessibility should be limited to the least number of people possible. Organizations should develop security policies and procedures governing this access.
- **Visitor escort** – Organizations should ensure that visitors to sensitive facilities are registered. Employees should be assigned logical access profiles. Key and card reader management practices, procedures, and ongoing updates should be adequate.
- **Defined security breach response** – Organizations should review security breach alarm processes including: the definition of alarm priority; response scenarios to each alarm priority; responsibilities of in-house versus local or vendor security personnel; interaction with local authorities; and review of recent alarm drills.
- **Personnel health and safety** – Organizations should ensure compliance with health, safety, and environmental regulations.
- **Uninterruptible power supply** – Organizations should ensure the existence of an alternative infrastructure which is necessary to implement security. This includes an uninterruptible power source; alternative telecommunication lines; and alternative water, gas, air conditioning, and humidity-control resources.

Since the Township is planning to consolidate its servers and upgrade the capacity of its system in the near future, it should ensure the new servers are placed in a secure, temperature-controlled environment. This will help to ensure that servers and the data stored on them are appropriately protected from malicious or accidental loss. The Administrator should identify an appropriate location within the Township hall to accommodate the new equipment.

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April 29, 2008

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**The Office of Auditor of State**  
**88 East Broad Street, 5<sup>th</sup> Floor**  
**Columbus, Ohio 43215**

**Re: Liberty Township Performance Audit Response**

**Auditor Taylor,**

Thank you for the opportunity to meet and discuss the Draft Performance Audit findings on April 14, 2008. The following serves as the Liberty Township Performance Audit response as requested during our meeting in the order of your recommendations in the report.

**FINANCIAL FORECAST SECTION:**

- 1) Liberty Township is, and has been, in the process of creating policies and procedures to create a five year forecasting system.
- 2) The Township will develop a budget calendar system and department head involvement. This year the budget system was dramatically revised to incorporate many of these concepts into the process. As previously noted some of these practices have been implemented and/or are being adopted for the first time this year, most prior to the submission of this draft document. This Performance Audit and the Strategic Planning Retreat results dated October 29, 2007, will be used to implement the Balanced Scorecard measures for performance in the first quarter of 2008. ICMA "Indikit" software has been acquired and will be used to implement lead and lag indicator analysis in addition to the team approach already implemented at the staff level to start down the BSC path. A few other specific related goals that are under discussion and probable for 2008-2010 include:  
A) complete first ever Comprehensive Annual Financial Report (CAFR), B) pursue and obtain Government Financial Officers Association (GFOA) CAFR Award annually to acknowledge financial reporting, financial status and citizen confidence in the Township operation.

**PLANNING AND PERSONNEL MANAGEMENT SECTION:**

The Township will continue to develop formal strategic planning processes to encompass the recommendations such as the GFOA protocols.

- 1) The Liberty Township budgeting process for 2008 incorporated a multi-year Capital Improvement Program (CIP) into the budget process and joined it with strategic planning process aforementioned. The budget starts with the Department Heads identifying their needs and preferences (as well as O&M, capital, etc.) and the process culls the list and maintains the future needs in the process.
- 2) The Liberty Township Board of Trustees is adopting a Technology Committee and appointing that group to develop a Technology Plan. **Township-wide Capital Planning** has been implemented and this is clearly a best practice to embrace. Staff will investigate the cited reference material to supplement existing structure, IT infrastructure has been a priority in the last year and the existing plan, which was not acknowledged, is being implemented rapidly by this Board.

#### **Performance Measurement Section:**

- 1) The Balanced Score Card performance measurement program is in the implementation phase and departments are reporting on measures previously never utilized. Performance is being measured and the rubric is yet to be determined; however, 911 response times, snowplow costs and salt usage, and overtime measures are begin recorded in the appropriate areas in this regard.

#### **Personnel Policies and Procedures:**

- 1) Staff is on chapter five of the review using the Ohio Township Association **recommended Policy Manual**. It is targeted for implementation in the second quarter of 2008. The Ohio Township Association Manual serves as the starting point for integration with existing practices.
- 2) Completely lacking is any comment about Performance Evaluation systems. These practices are being revisited by the Township elected leaders and staff. This is one of the four core components to quality Human Resources management and a critical component to an overall performance based work culture.
- 3) **SOP's and Administrative Procedures Manual**. These do exist in the Fire Department which covers the majority of our employees. This is necessary and should see implementation nearer the third or fourth quarter on an incremental basis. Winfield Township, in Michigan, was contacted for the cited reference material to avoid "reinventing the wheel".
- 4) **Labor Relations Policy** - The Board of Trustees advertised for a person with a strong HR and Labor relations background as criteria for hiring of the Administrator position. The board addressed the majority of this in the hiring of a new staff member. The concept and direction are embraced and expected SOP for any seasoned labor relations professional. The written "policy" side, primarily insofar as tactics and strategy should never be written into public, discoverable documents. The documentation and research practices are really a matter of fact (researching "comparables" for the internal and external basis of comparison on all major components of financial and "language" issues in the collective bargaining process is SOP and for non-bargaining employees) for the aforementioned



personnel practices. Currently, position descriptions, pay and compensation issues concerns have been highlighted to the Board. Additional staff training is attained through the ICMA membership training each year.

- 5) **Funded and unfunded leave liabilities**—The Township will renegotiate this concept at the next contract renewal.

**TECHNOLOGY SECTION:**

- 1) **Strategic Technology Plan** - See point number three in the financial section component. The Township does have an IT Plan in place and has it critiqued by part time “in-house experts” (firefighters that have full time IT jobs) and competitors for critical review and strengthening of the process. This recommended practice can be strengthened and formally implemented. The existing strategy has resulted in contracting for a Virtual Private Network (VPN) on a privately maintained “sonnet ring” with a replacement of all major servers and a shift of the phone system to Voice Over IP Technology to attain business unit strategies and address wholesale failings that were structural in nature outside the Townships control, i.e. business units straddling the 740 and 614 area codes in two different vendors territories to complicate phone services.
- 2) **IT support staffing strategy, method and costs are monitored and will be competitively bid next year.** Staffing alternatives are not realistic for several years based on this level of cost and market competitiveness
- 3) **Electronic Government** - The recommendations for improved e-government series are valid. The Website needs an overhaul and citizen input should drive this idea with a focus group to ensure the right responses are incorporated from the residents’ interests and concerns related to quality and services. Implement 2008 or 2009 after study and input.
- 4) **Primary Network Servers** were moved to a more secure location (within sixty (60) days of the report) according to the internal strategic plans following the space being vacated by administrative staff. Space now properly exists in the former “copier room” for the server(s).

Should you have any further questions or concerns please do not hesitate to contact me at 740-881-4476. This document could and should be read in tandem with the recent response to the draft report. Best regards and thank you for your efforts and that of the Auditor of State’s Offices.

Sincerely,



David Anderson  
Township Administrator

DA/plm



**Auditor of State  
Mary Taylor, CPA**

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