



Mary Taylor, CPA
Auditor of State

LIBERTY TOWNSHIP
DELAWARE COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

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

Mary Taylor

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Auditor of State

March 22, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Delaware County, Ohio (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Liberty Township, Delaware County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

March 22, 2010

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental and Fiduciary Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$1,122,206	\$6,379,142	\$344,796	\$0	\$7,846,144
Charges for Services	0	135,646	0	0	135,646
Licenses, Permits, and Fees	275,535	7,856	0	0	283,390
Intergovernmental	282,133	869,744	21,237	0	1,173,114
Earnings on Investments	16,193	354	0	0	16,547
Miscellaneous	81,983	78,937	0	0	160,919
	<u>1,778,049</u>	<u>7,471,679</u>	<u>366,033</u>	<u>0</u>	<u>9,615,760</u>
Cash Disbursements:					
Current:					
General Government	1,244,269	0	0	0	1,244,269
Public Safety	0	6,515,423	0	0	6,515,423
Public Works	0	1,056,330	0	0	1,056,330
Conservation - Recreation	529,185	0	9,844	16,568	555,597
Capital Outlay	188,753	395,319	0	0	584,071
Debt Service:					
Redemption of Principal	430,000	0	89,924	0	519,924
Interest and Other Fiscal Charges	15,870	0	353,140	0	369,010
	<u>2,408,076</u>	<u>7,967,072</u>	<u>452,908</u>	<u>16,568</u>	<u>10,844,624</u>
Total Receipts Over/(Under) Disbursements	<u>(630,028)</u>	<u>(495,393)</u>	<u>(86,875)</u>	<u>(16,568)</u>	<u>(1,228,864)</u>
Other Financing Receipts:					
Sale of Notes	430,000	0	0	0	430,000
	<u>430,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>430,000</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(200,028)	(495,393)	(86,875)	(16,568)	(798,864)
Fund Cash Balances, January 1	1,093,334	3,757,369	111,807	351,263	5,313,773
Fund Cash Balances, December 31	<u>\$893,307</u>	<u>\$3,261,976</u>	<u>\$24,932</u>	<u>\$334,694</u>	<u>\$4,514,909</u>
Reserve for Encumbrances, December 31	<u>\$45,367</u>	<u>\$108,014</u>	<u>\$0</u>	<u>\$0</u>	<u>\$153,381</u>

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

LIBERTY TOWNSHIP
DELAWARE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Fiduciary Fund Type</u>
	<u>Private Purpose Trust</u>
Non-Operating Cash Receipts:	
Earnings on Investments	<u>\$19</u>
Total Non-Operating Cash Receipts	<u>19</u>
Net Receipts Over/(Under) Disbursements	19
Fund Cash Balances, January 1	<u>5,831</u>
Fund Cash Balances, December 31	<u><u>\$5,850</u></u>

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

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental and Fiduciary Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$1,092,305	\$6,220,792	\$399,603	\$0	\$7,712,700
Charges for Services	0	109,648	0	0	109,648
Licenses, Permits, and Fees	293,396	25,530	0	0	318,925
Intergovernmental	551,472	688,917	24,283	5,500	1,270,172
Earnings on Investments	183,763	6,437	0	0	190,200
Miscellaneous	102,397	195,016	0	5,748	303,162
	<u>2,223,333</u>	<u>7,246,341</u>	<u>423,886</u>	<u>11,248</u>	<u>9,904,808</u>
Cash Disbursements:					
Current:					
General Government	1,749,263	4	0	0	1,749,267
Public Safety	0	5,963,127	0	0	5,963,127
Public Works	0	1,344,052	0	0	1,344,052
Conservation - Recreation	465,505	0	5,717	271,849	743,071
Capital Outlay	292,644	867,487	0	0	1,160,131
Debt Service:					
Redemption of Principal	120,000	0	95,060	0	215,060
Interest and Other Fiscal Charges	18,711	0	350,454	0	369,165
	<u>2,646,122</u>	<u>8,174,670</u>	<u>451,231</u>	<u>271,849</u>	<u>11,543,872</u>
Total Receipts Over/(Under) Disbursements	<u>(422,789)</u>	<u>(928,329)</u>	<u>(27,345)</u>	<u>(260,601)</u>	<u>(1,639,064)</u>
Other Financing Receipts / (Disbursements):					
Sale of Fixed Assets	0	27,200	0	0	27,200
Advances-In	583,167	159,670	0	7,090	749,927
Advances-Out	(20,000)	(729,927)	0	0	(749,927)
	<u>563,167</u>	<u>(543,057)</u>	<u>0</u>	<u>7,090</u>	<u>27,200</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	140,378	(1,471,386)	(27,345)	(253,511)	(1,611,864)
Fund Cash Balances, January 1	952,956	5,228,755	139,152	604,774	6,925,637
Fund Cash Balances, December 31	<u>\$1,093,334</u>	<u>\$3,757,369</u>	<u>\$111,807</u>	<u>\$351,263</u>	<u>\$5,313,773</u>
Reserve for Encumbrances, December 31	<u>\$43,028</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,658</u>	<u>\$47,685</u>

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

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Fiduciary Fund Type
	Private Purpose Trust
Operating Cash Disbursements:	
Supplies and Materials	\$11
Total Operating Cash Disbursements	11
Operating Income/(Loss)	(11)
Non-Operating Cash Receipts:	
Earnings on Investments	177
Total Non-Operating Cash Receipts	177
Net Receipts Over/(Under) Disbursements	166
Fund Cash Balances, January 1	5,665
Fund Cash Balances, December 31	\$5,831

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

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Liberty Township, Delaware County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

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

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

3. Debt Service Funds

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

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

4. Capital Project Funds

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

Recreation Center Fund – This fund is used for the construction of a recreation center for the Township.

5. Fiduciary Funds

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

The Township's private purpose trust funds are for the benefit of maintaining and planting trees in the memorial tree grove at Liberty Park.

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. Equity in Pooled Cash and Investments (Continued)

	2009	2008
Demand deposits	65,407	296,782
STAR Ohio	4,455,352	5,022,822
Total deposits and investments	\$4,520,759	\$5,319,604

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

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,838,192	\$2,208,049	\$369,857
Special Revenue	7,481,049	7,471,679	(9,370)
Debt Service	371,250	366,033	(5,217)
Private Purpose Trust	50	19	(31)
Total	\$9,690,541	\$10,045,780	\$355,239

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,814,938	\$2,453,443	\$361,495
Special Revenue	8,651,491	8,075,086	576,405
Debt Service	452,810	452,908	(98)
Capital Projects	16,568	16,568	0
Private Purpose Trust	5,700	0	5,700
Total	\$11,941,507	\$10,998,005	\$943,502

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,116,152	\$2,223,333	\$107,181
Special Revenue	7,213,263	7,273,541	60,278
Debt Service	704,023	423,886	(280,137)
Capital Projects	11,248	11,248	0
Private Purpose Trust	146	177	31
Total	\$10,044,832	\$9,932,185	(\$112,647)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,050,506	\$2,689,150	\$361,356
Special Revenue	9,166,897	8,174,670	992,227
Debt Service	726,000	451,231	274,769
Capital Projects	489,000	276,507	212,493
Private Purpose Trust	5,027	11	5,016
Total	\$13,437,430	\$11,591,569	\$1,845,861

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due February 10. The second half payment is due the following July 10.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Recreation Center Bonds	\$180,000	5%
Refunded Park Improvement Notes	\$430,000	Various
Refunded Recreation Center Bonds	4,704,993	Various
Total	\$5,314,993	

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Debt (Continued)

Recreation Center Bonds

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

Refunded Recreation Center Bonds

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

Refunded Park Improvement Notes

The Township issued current refunding notes on September 30, 2009, in the amount of \$430,000 for a term of five years to pay off the Series 2007 Township Park Improvement Notes outstanding. Principal payments are due annually and interest payments are due semi-annually. The notes are collateralized by the taxing authority of the Township.

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

Year ending December 31:	Recreation Center Refunding	Recreation Facility Bonds	Park Improvement Refunding
2010	189,270	256,344	65,092
2011	0	438,719	93,300
2012	0	438,719	100,500
2013	0	438,719	107,350
2014	0	443,719	113,850
2015-2019	0	2,208,595	0
2020-2024	0	2,210,195	0
2025-2029	0	1,325,188	0
Total	<u>\$189,270</u>	<u>\$7,760,198</u>	<u>\$480,092</u>

6. Retirement Systems

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

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, the Township contributed to OP&F an amount equal to 34% of full-time fire fighters' wages which includes 10% contribution normally required of OP&F members. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

7. Risk Management

Risk Pool Membership

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first

\$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Township participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Township does not participate in this coverage.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2008 and 2007 (the latest information available), and include amounts for both OPRM and OPHC:

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management (Continued)

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members' Equity	\$5,184,333	\$6,862,902

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

8. Contingent Liabilities

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of Liberty Township, Delaware County, Ohio (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated March 22, 2010, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001, 2009-003 and 2009-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated March 22, 2010.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

March 22, 2010

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Finding for Recovery Repaid Under Audit

On January 16, 2007 the Board of Trustees approved the salary schedule to be paid to all employees of the Park, Zoning, and Road Departments. An additional Board of Trustees action authorized an additional \$.50 per hour when a Township employee obtains a Commercial Drivers License (CDL). In January of 2008, Aaron Rausch, a park employee, obtained his CDL which entitled him to a \$.50 per hour increase in his hourly pay rate. However, the hourly pay rate for Aaron Rausch was not calculated correctly, resulting in overpayment of payroll by the Township to Aaron Rausch.

	Gross Payroll Based on Board Authorized Pay Rates	Actual Gross Payroll Paid	Total Overpayment
2008	\$30,736	\$30,784	(\$48)
2009	\$31,908	\$32,142	(\$234)
		Total	(\$282)

In accordance with the foregoing facts and pursuant to Ohio Revised Code 117.28 a Finding for Recovery for public monies illegally expended is hereby issued against Aaron Rausch, Township employee, in the amount of \$282 in favor of the General Fund of Liberty Township.

The Finding for Recovery was repaid under audit by Aaron Rausch to the General Fund of Liberty Township on February 19, 2010.

Officials' Response:

We did not receive a response from the Officials to this finding.

FINDING NUMBER 2009-002

Material Weakness

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

An adjustment was made to the December 31, 2009 financial statements to properly report \$430,000 of debt issued to currently refund outstanding debt owed in the General Fund.

The following reclassifications were quantitatively and qualitatively immaterial and were not posted to the December 31, 2009 and 2008 financial statements.

LIBERTY TOWNSHIP
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

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

FINDING NUMBER 2009-002 (Continued)

Material Weakness (Continued)

- Reclassifications of rollback and homestead receipts and other state reimbursements from property and other local taxes to intergovernmental receipts for the following on the December 31, 2009 and 2008 financial statements for the following fund types.
 - December 31, 2009
 - General Fund--\$80,021
 - Special Revenue Funds-- \$396,769
 - Debt Service Funds--\$21,169
 - December 31, 2008
 - General Fund--\$63,646
 - Special Revenue Funds—\$375,518
 - Debt Service Fund--\$24,315
- A reclassification of \$43,277 of EMS collections from miscellaneous receipts to charges for services in the Special Revenue Funds on the December 31, 2008 financial statements.

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

Officials' Response:

We did not receive a response from the Officials to this finding.

FINDING NUMBER 2009-003

Noncompliance

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

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

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

LIBERTY TOWNSHIP
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

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

FINDING NUMBER 2009-003 (Continued)

Noncompliance (Continued)

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

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

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

Twenty-seven percent of the transactions tested were not certified by the fiscal officer at the time the commitment incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

In addition we noted that there were nine super blanket purchase orders that were not closed at December 31, 2009.

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

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

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-003 (Continued)

Noncompliance (Continued)

Officials' Response:

The nine super blankets referenced above were carried over because of a user mistake made when UAN was "rolled" from 2009 to 2010. These blankets were then closed.

FINDING NUMBER 2009-004

Noncompliance

Ohio Revised Code § 5705.05 states that the purpose and intent of the general levy for current expenses is to provide one general operating fund derived from taxation from which any expenditures for current expenses of any kind may be made. The taxing authority of a political subdivision may include in such levy the amounts required for carrying into effect any of the general or special powers granted by law to such subdivision, including the acquisition or construction of permanent improvements and the payment of judgments, but excluding the payment of debt charges and, in the case of counties, the construction, reconstruction, resurfacing, or repair of roads and bridges.

The Township's Park Improvement Series 2007 Note Agreement states the following "It is hereby certified and recited that all acts, conditions and things necessary to be done precedent to and in the issuance of the Notes, in order to make it a legal, valid and binding obligation of the Township have happened, have been done and have been performed in regular and due form as required by law; that the full faith, credit and revenue of the Township are hereby irrevocably pledged for the prompt payment of the principal and interest thereon at maturity; that no limitation of indebtedness or taxation either statutory or constitutional, has been exceeded in issuing the Notes, and that due provision has been made for levying and collecting annually by taxation an amount sufficient to pay the interest on these Notes as it falls due, and to provide a fund for the redemption of these Notes at maturity.

Although the Township reported the 2007 Park Improvement Note to the County Auditor when it was issued, inside millage of general levy monies were not allocated to the Debt Service Fund for the repayment of the notes. The Township made payments on the 2007 Park Improvement Notes from the General Fund where general tax levy monies were commingled with other general fund monies.

In 2009 the Township refunded the 2007 Park Improvement Notes. The refunded debt obligation is also required to be paid from inside millage of the general levy from the Debt Service Fund. The Township should ensure that the County Auditor's office allocates the general levy monies to the Debt Service Fund to cover future obligations of the 2009 Park Improvement Notes and ensure all interest and principal payments are then paid from the Debt Service Fund rather than the General Fund.

Officials' Response:

We did not receive a response from the Officials to this finding.

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 and 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Sound Financial Reporting	No	Not corrected. This comment has been repeated as comment 2009-002.
2007-002	ORC 5705.41(D)(1) Certification of Expenditures	No	Not corrected. This comment has been repeated as comment 2009-003.
2007-003	ORC 9.38 Timely Deposits	No	Partially corrected. This comment has been repeated in the management letter.
2007-004	ORC 5705.41(B) Expenditures exceed Appropriations	Yes	N/A



Mary Taylor, CPA
Auditor of State

LIBERTY TOWNSHIP

DELAWARE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 6, 2010**