

**LIBERTY TOWNSHIP**  
**LICKING COUNTY**  
**REGULAR AUDIT**  
**JANUARY 1, 2010 – DECEMBER 31, 2011**







# Dave Yost • Auditor of State

Board of Trustees  
Liberty Township  
4900 Dutch Lane  
Johnstown, Ohio 43031

We have reviewed the *Independent Auditors' Report* of Liberty Township, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Liberty Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 13, 2012

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**LIBERTY TOWNSHIP  
LICKING COUNTY**

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## INDEPENDENT AUDITORS' REPORT

Liberty Township  
Licking County  
4900 Dutch Lane  
Johnstown, Ohio 43031

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Licking County, (the Township) as of and for the years ended December 31, 2011 and 2010. 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. 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
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Licking County  
Independent Auditors' Report  
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of Liberty Township, Licking County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 Liberty Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2012, 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.

*Wilson, Shuman & Snow, Inc.*

August 31, 2012

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$ 100,814	\$ 350,436	\$ 451,250
Intergovernmental	78,074	145,220	223,294
Licenses, Permits, and Fees	9,341	2,900	12,241
Earnings on Investments	2,441	764	3,205
Other Revenue	0	1,000	1,000
	<u>190,670</u>	<u>500,320</u>	<u>690,990</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
General Government	124,988	229,092	354,080
Public Safety	0	3,107	3,107
Public Works	0	244,977	244,977
Health	0	4,383	4,383
Debt Service:			
Redemption of Principal	0	24,048	24,048
Interest and Fiscal Charges	0	1,990	1,990
Capital Outlay	5,399	0	5,399
	<u>130,387</u>	<u>507,597</u>	<u>637,984</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over (Under) Disbursements	60,283	(7,277)	53,006
Fund Cash Balances, January 1	526,569	416,892	943,461
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 586,852</u></u>	<u><u>\$ 409,615</u></u>	<u><u>\$ 996,467</u></u>
<b>Fund Cash Balance, December 31</b>			
Restricted	\$0	\$409,615	\$409,615
Unassigned	586,852	0	586,852
<b>Fund Cash Balance, December 31</b>	<u><u>\$ 586,852</u></u>	<u><u>\$ 409,615</u></u>	<u><u>\$ 996,467</u></u>

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

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCE -PRIVATE PURPOSE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Private Purpose Trust</b>
<b>Operating Cash Receipts</b>	
Earnings on Investments	\$35
Total Operating Cash Receipts	35
Fund Cash Balance, January 1	1,660
Fund Cash Balance, December 31	<u>\$1,695</u>

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

**LIBERTY TOWNSHIP  
LICKING COUNTY**

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

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$ 102,734	\$ 356,833	\$ 459,567
Intergovernmental	70,733	153,565	224,298
Licenses, Permits, and Fees	7,692	1,700	9,392
Earnings on Investments	4,078	1,288	5,366
Other Revenue	268	18,068	18,336
	<u>185,505</u>	<u>531,454</u>	<u>716,959</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
General Government	133,938	190,000	323,938
Public Safety	0	3,344	3,344
Public Works	0	392,727	392,727
Health	0	4,417	4,417
Debt Service:			
Redemption of Principal	0	26,926	26,926
Capital Outlay	36,543	115,425	151,968
	<u>170,481</u>	<u>732,839</u>	<u>903,320</u>
<b>Total Cash Disbursements</b>			
<b>Total Receipts Over (Under) Disbursements</b>	<u>15,024</u>	<u>(201,385)</u>	<u>(186,361)</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Lease Proceeds	0	50,200	50,200
Loan Proceeds		65,225	65,225
Other Financing Uses	(15,481)	0	(15,481)
	<u>(15,481)</u>	<u>115,425</u>	<u>99,944</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(457)	(85,960)	(86,417)
Fund Cash Balances, January 1	<u>527,026</u>	<u>502,852</u>	<u>1,029,878</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 526,569</u></u>	<u><u>\$ 416,892</u></u>	<u><u>\$ 943,461</u></u>

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

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCE -PRIVATE PURPOSE TRUST FUND  
PRIVATE PURPOSE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Private Purpose Trust</b>
<b>Operating Cash Receipts</b>	
Earnings on Investments	\$57
Total Operating Cash Receipts	57
Fund Cash Balance, January 1	1,603
Fund Cash Balance, December 31	<u>\$1,660</u>

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

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**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 Liberty Township, Licking County, (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, and contracts with Monroe Township and St. Albans Township for fire protection and emergency medical services. Police protection is provided by the Licking County Sheriff.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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.

Certificates of deposit are valued at cost.

**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  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(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 Levy Fund - This money receives taxes and intergovernmental money for fire protection of the Township persons and property.

**3. 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 fund receives gifts and donations from benefactors and uses the interest earned on the fund balance for improving the Township cemetery.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(CONTINUED)**

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

**E. Budgetary Process (Continued)**

**3. Encumbrances**

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

A summary of 2011 and 2010 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.

**H. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(CONTINUED)**

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

**H. Fund Balance (Continued)**

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**2. Equity in Pooled Deposits**

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

	<u>2011</u>	<u>2010</u>
Demand deposits	\$996,467	\$943,461
Certificates of deposit	<u>\$1,695</u>	<u>\$1,660</u>
Total deposits	<u><u>\$998,162</u></u>	<u><u>\$945,121</u></u>

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

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(CONTINUED)**

**3. Budgetary Activity**

Budgetary activity for the years ending 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$156,952	\$190,670	\$33,718
Special Revenue	509,641	500,320	(9,321)
Fiduciary	57	35	(22)
Total	\$666,650	\$691,025	\$24,375

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$635,735	\$130,387	\$505,348
Special Revenue	974,319	507,597	466,722
Total	\$1,610,054	\$637,984	\$972,070

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$170,768	\$185,505	\$14,737
Special Revenue	472,958	646,879	173,921
Fiduciary	0	57	57
Total	\$643,726	\$832,441	\$188,715

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$694,556	\$185,962	\$508,594
Special Revenue	967,019	732,839	234,180
Total	\$1,661,575	\$918,801	\$742,774

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Special Revenue – Gasoline Tax and Road and Bridge Funds at the legal level of control by \$50,200 and \$65,225 in 2010, respectively. The Township did not also comply with Ohio Administrative Code Section 117-2-02 (A), Ohio Revised Code Section 5705.36(A), or Ohio Revised Code Section 5705.40 for the Gasoline Tax and Road and Bridge Funds for the year ended December 31, 2010. In addition, the Township did not post receipts to the appropriate funds contrary to Ohio Revised Code Section 5705.10(C) during 2011 and 2010. Finally, the Township had appropriations exceeding total estimated resources available contrary to Ohio Revised Code Section 5705.39 within the Special Revenue-Road and Bridge, Motor Vehicle License Tax, and Cemetery Funds at December 31, 2011.

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(CONTINUED)**

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

**5. Capitalized Leases – Lessee Disclosure**

During 2010 the Township entered into a three year capitalized lease for the purchase of a dump truck totaling \$50,200. The accompanying principal and interest payments are recognized within the Special Revenue Fund principal and interest line items. Principal and interest totaled \$15,748 and \$1,990 for 2011, respectively, and a principal payment of \$17,738 for 2010.

Future lease payments are as follows:

Year Ended December 31:	Lease Payment
2012	\$17,738
Total minimum lease payment	17,738
Less: Interest	(\$1,024)
Present value minimum lease payment	\$16,714

**6. Debt**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
OPWC - Stone Quarry Road	\$4,443	0.00%
OPWC - Sadie Thomas Road	52,180	0.00%
Total	\$56,623	

The Ohio Public Works Commission (OPWC) Loan are supported by the full faith and credit of the Township and is payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal payments. The outstanding principal amounts represent the Township's confirmed OPWC obligations at December 31, 2011.

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(CONTINUED)**

**6. Debt (Continued)**

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

<u>Year Ended December 31:</u>	<u>OPWC - Stone Quarry Road</u>	<u>OPWC - Sadie Thomas Road</u>	<u>Total</u>
2012	\$1,777	\$6,522	\$8,299
2013	1,777	6,522	8,299
2014	889	6,522	7,411
2015	0	6,522	6,522
2016	0	6,522	6,522
2017-2019	0	19,570	19,570
Total	<u>\$4,443</u>	<u>\$52,180</u>	<u>\$56,623</u>

**7. Retirement Systems**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

For 2011 and 2010, 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, 2011.

**8. Risk Management**

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

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(CONTINUED)**

**8. Risk Management (Continued)**

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

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

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$6,686.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$9,035	\$5,785

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



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

Liberty Township  
Licking County  
4900 Dutch Lane  
Johnstown, Ohio 43031

To the Board of Trustees:

We have audited the financial statements of Liberty Township, Licking County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 31, 2012, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and as described in Note 1 adopted Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions.*" 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 entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-05 as described in the accompanying schedule of findings to be a material weakness.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635

### 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 2011-01 and 2011-04.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 31, 2012.

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, Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.

*Wilson, Shuman & Snow, Inc.*

August 31, 2012

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

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

<b>Finding Number</b>	<b>2011-01</b>
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Ohio Revised Code Section 5705.10(C) states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. In addition, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

The Township improperly recorded the 2011 and 2010 rollback and homestead receipts contrary to the semi-annual tax apportionment sheets provided by the Licking County Auditor noting the following differences:

	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Fire Levy Fund</b>
Total 2011 & 2010 Tax Apportionment Sheet Allocations Recorded By Township	\$29,454 130,846	\$38,352 0	\$63,040 0
Overstated (Understated)	\$101,392	(\$38,352)	(\$63,040)

In addition, the Township incorrectly posted an August 2010 gasoline excise tax payment of \$5,011 to the Motor Vehicle License Tax Special Revenue Fund instead of the Gasoline Tax Special Revenue Fund contrary to the Licking County Auditor apportionment sheet.

Finally, the Township incorrectly recorded interest earnings of \$28 within the General Fund instead of the Township's Private Purpose Trust Cemetery Fund.

The adjustments identified above have been recorded by the Township and are reflected within the financial statements.

We recommend the Township develop internal control procedures to verify that all revenues are posted to the correct funds and revenue account codes during the year.

**Officials Response:** We did not receive a response for this finding.

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(CONTINUED)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2011-02</b>
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**Recording and Budgeting On-Behalf Transactions**

Ohio Administrative Code Section 117-2-02 (A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Ohio Revised Code Section 5705.36(A)(3) allows all subdivisions to request an increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

Ohio Revised Code Section 5705.40 requires that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

During 2010, the Board of Trustees entered into an agreement with a local financial institution totaling \$50,200 for the purpose of purchasing a dump truck. The financial institution made the check payable directly to the vendor. The Township Fiscal Officer did not post the lease proceeds or capital outlay expenditure within the Township's financial records. In addition, during 2009 the Township entered into an agreement with the Ohio Public Works Commission for the Sadie Thomas Road project and the loan proceeds or capital outlay expenditure within the Township's financial records which occurred during 2010. As a result, receipts and disbursements were understated within the Township's financial records and financial statements for 2010.

Adjustments with which the Township agrees are reflected in the accompanying financial statements. This also resulted in violation of Ohio Revised Code Section 5705.41(B) within the Special Revenue Gasoline Tax and Road and Bridge Fund as this activity was not budgeted by the Township Trustees. (See Finding No. 2011-03).

We recommend the Township Fiscal Officer record all debt proceeds and the corresponding expenditures in the Township's ledgers.

**Officials Response:** We did not receive a response for this finding.

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(CONTINUED)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2011-03</b>
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. At December 31, 2010, we noted the following Special Revenue Funds which had expenditures exceeding appropriations at the legal level of control:

<u>Funds</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Noncompliance</u>
Gasoline Tax Fund – Capital Outlay	\$50,200	\$0	\$(50,200)
Road and Bridge Fund – Capital Outlay	65,225	\$0	(65,225)

We recommend that the Township comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary. Furthermore, the Township should record all financial transactions which are paid on-behalf of the Township during the year within its accounting records and budget such amounts as described in Finding Number 2011-02.

*Officials Response:* We did not receive a response for this finding.

<b>Finding Number</b>	<b>2011-04</b>
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Ohio Revised Code Section 5705.39 requires that a subdivision’s total appropriations from each fund should not exceed total estimated resources. The following Special Revenue Funds had appropriations exceeding estimated resources at December 31, 2011:

<u>Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Noncompliance</u>
Road and Bridge Fund	\$322,500	\$227,009	\$95,491
Cemetery Fund	10,000	3,783	6,217
Motor Vehicle License Tax Fund	16,887	11,876	5,011

With appropriations exceeding estimated resources the Township may spend more funds than in the Treasury or process of collection and cause fund deficits. We recommend that the Township monitor the original budget to determine compliance with the Ohio Revised Code when the original budget is adopted.

*Officials Response:* We did not receive a response for this finding.

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010  
(CONTINUED)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2011-05</b>
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**Financial Statement Presentation – Material Weakness**

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Township’s financial statements. The Fiscal Officer did not always accurately post receipts and disbursements to the Township’s accounting system and financial statements. The following posting errors were noted:

- In the Special Revenue Fund-Gasoline Tax Fund, principal and interest payments of \$15,748 and \$1,990 were reclassified from public works in 2011 and a principal payment of \$17,738 was reclassified from public works in 2010.
- We also noted adjustments within the General Fund, Special Revenue-Gasoline Tax, Motor Vehicle License Tax, Road and Bridge, Fire Levy Funds and Fiduciary Private Purpose Trust Fund which have been reported under Findings 2011-01 and 2011-02.

Not posting receipts and disbursements accurately to the ledgers resulted in the financial statements requiring audit reclassifications and adjustments; furthermore, inaccurate accounting records could make it difficult for the Board of Trustees to effectively monitor the Township’s activities or identify misstatements or errors in a timely manner. We recommend the Township’s Fiscal Officer takes steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions and Ohio Township Handbook.

**Officials Response:** We did not receive a response for this finding.

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Financial Reporting.	No	Repeated as Finding 2011-05.
2009-002	Ohio Revised Code Section 5705.10(C) states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. In addition, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.	No	Repeated as Finding 2011-01.

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# Dave Yost • Auditor of State

**LIBERTY TOWNSHIP**

**LICKING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 27, 2012**