

**LIVERPOOL TOWNSHIP
MEDINA COUNTY**

INDEPENDENT AUDITOR'S REPORT

**FOR THE YEARS ENDED
DECEMBER 31, 2007 AND DECEMBER 31, 2006**

Varney, Fink & Associates, Inc.
Certified Public Accountants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Liverpool Township
6757 West Law Road
Valley City, Ohio 44280

We have reviewed the *Independent Auditor's Report* of Liverpool Township, Medina County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. 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 Auditor's 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 Auditor's 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. Liverpool Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 9, 2009

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**LIVERPOOL TOWNSHIP, OHIO
MEDINA COUNTY
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND DECEMBER 31, 2006**

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**CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Liverpool Township
6757 West Law Road
Valley City, Ohio 44280

To the Board of Trustees:

We have audited the accompanying financial statements of Liverpool Township, Medina County, (the Township), as of and for the years ended December 31, 2007 and December 31, 2006. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and December 31, 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. 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 reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

INDEPENDENT AUDITOR'S REPORT (continued)

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, 2007 and December 31, 2006, 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, 2007 and December 31, 2006, or its changes in financial 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 the Township, as of December 31, 2007 and December 31, 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2007 and December 31, 2006. 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 February 17, 2009, 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 express an opinion 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.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

February 17, 2009

**Liverpool Township
Medina County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances - All Governmental Fund Types
For the Year Ended December 31, 2007**

	General	Special Revenue	Total (Memorandum Only)
Cash Receipts			
Taxes	\$378,926	\$731,385	\$1,110,311
Intergovernmental Receipts	230,659	190,032	420,691
Charges for Services	0	98,147	98,147
Licenses, Permits and Fees	35,180	6,075	41,255
Fines, Forfeitures and Penalties	525	0	525
Earnings on Investments	10,892	1,641	12,533
Other Receipts	39,679	7,511	47,190
Total Cash Receipts	695,861	1,034,791	1,730,652
Cash Disbursements			
Current:			
General Government	394,139	0	394,139
Public Safety	0	385,790	385,790
Public Works	7,405	411,110	418,515
Health	21,200	7,601	28,801
Capital Outlay	69,915	314,194	384,109
Total Cash Disbursements	492,659	1,118,695	1,611,354
Total Receipts Over/(Under) Disbursements	203,202	(83,904)	119,298
Fund Cash Balances, January 1, 2007	688,441	1,080,335	1,768,776
Fund Cash Balances, December 31, 2007	\$891,643	\$996,431	\$1,888,074
Reserve for Encumbrances, December 31, 2007	\$13,672	\$74,055	\$87,727

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

**Liverpool Township
Medina County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances - All Governmental Fund Types
For the Year Ended December 31, 2006**

	General	Special Revenue	Total (Memorandum Only)
Cash Receipts			
Taxes	\$377,903	\$667,938	\$1,045,841
Intergovernmental Receipts	225,578	172,405	397,983
Charges for Services	0	112,211	112,211
Licenses, Permits and Fees	33,606	3,825	37,431
Fines, Forfeitures and Penalties	1,055	0	1,055
Other Receipts	56,384	5,884	62,268
Total Cash Receipts	<u>694,526</u>	<u>962,263</u>	<u>1,656,789</u>
Cash Disbursements			
Current:			
General Government	381,906	0	381,906
Public Safety	0	382,800	382,800
Public Works	0	759,848	759,848
Health	27,929	5,711	33,640
Capital Outlay	44,990	90,152	135,142
Debt Service:			
Redemption of Principal	12,305	0	12,305
Interest and Fiscal Charges	492	0	492
Total Cash Disbursements	<u>467,622</u>	<u>1,238,511</u>	<u>1,706,133</u>
Total Receipts Over/(Under) Disbursements	<u>226,904</u>	<u>(276,248)</u>	<u>(49,344)</u>
Other Financing Sources			
Sale of Fixed Assets	<u>0</u>	<u>3,510</u>	<u>3,510</u>
Total Receipts and Other Financing Sources Over/ (Under) Disbursements	226,904	(272,738)	(45,834)
Fund Cash Balances, January 1, 2006	<u>461,537</u>	<u>1,353,073</u>	<u>1,814,610</u>
Fund Cash Balances, December 31, 2006	<u>\$688,441</u>	<u>\$1,080,335</u>	<u>\$1,768,776</u>
Reserve for Encumbrances, December 31, 2006	<u>\$23,791</u>	<u>\$9,581</u>	<u>\$33,372</u>

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

LIVERPOOL TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

Liverpool Township, Medina County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected, three-member Board of Trustees. The Township provides general governmental services, including zoning, safety services and police protection.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (ie. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

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:

General Fund - The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds - These funds are used to account for proceeds from specific sources (other than for capital projects) that are legally 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 to construct, maintain and repair Township roads.

LIVERPOOL TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

Gasoline Tax Fund - This fund receives gasoline taxes to construct, maintain and repair Township roads.

Fire Levy Fund - This fund receives property taxes, and intergovernmental receipts to provide fire protection to Township residents.

Police Levy Fund - This fund receives property taxes and intergovernmental revenue to provide police protection to Township residents.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations - Budgetary expenditures (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.

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.

Encumbrances - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

LIVERPOOL TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

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

	2007	2006
Demand deposits	\$250,074	\$1,768,776
Certificates of Deposit	1,638,000	0
Total Deposits	\$1,888,074	\$1,768,776

Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Township.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2007 and December 31, 2006 was as follows:

2007 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$695,121	\$695,861	\$740
Special Revenue	1,027,052	1,034,791	7,739
Total	\$1,722,173	\$1,730,652	\$8,479

2007 Budget vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,079,391	\$506,331	\$573,060
Special Revenue	1,648,431	1,192,750	455,681
Total	\$2,727,822	\$1,699,081	\$1,028,741

LIVERPOOL TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 and December 31, 2006

3. **BUDGETARY ACTIVITY** (continued)

2006 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$606,627	\$694,526	\$87,899
Special Revenue	869,745	965,773	96,028
Total	<u>\$1,476,372</u>	<u>\$1,660,299</u>	<u>\$183,927</u>

2006 Budget vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$887,428	\$491,413	\$396,015
Special Revenue	2,037,316	1,248,092	789,224
Total	<u>\$2,924,744</u>	<u>\$1,739,505</u>	<u>\$1,185,239</u>

4. **PROPERTY TAX**

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

Public utilities are also taxed on personal property located within the Township.

Tangible personal property tax is assessed to 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.

LIVERPOOL TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

5. **Debt**

Land Contract Note paid off in its entirety in 2006. There was no debt outstanding as of 12/31/2007.

6. **RETIREMENT SYSTEMS**

Employees belong to the Ohio Public Employees Retirement System (OPERS), OPERS is a cost-sharing, multiple-employer defined pension plan. This plan provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to: 277 East Town Street, Columbus, Ohio 43215 or by calling (614)466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2007 and 2006, PERS members contributed 9.5% and 9.0%, respectively, of their gross salaries. The Township contributed an amount equal to 10.85% and 10.70% respectively in 2007 and 2006 of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

7. **RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- *Comprehensive property and general liability;
- *Vehicles; and
- *Public Officials Liability.

The Township also provides health insurance, dental and short-term disability coverage to full-time employees through private carriers.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Liverpool Township
6757 West Law Road
Valley City, Ohio 44280

To the Board of Trustees:

We have audited the financial statements of Liverpool Township, Medina County (the Township) as of and for the years ended December 31, 2007 and December 31, 2006, and have issued our report thereon dated February 17, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than the 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or, material weaknesses. However as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2007-01 to be a significant deficiency in internal control over financial reporting.

Liverpool Township
Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements performed in
Accordance with *Government Auditing Standards*
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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of the section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above as item 2007-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township, in a separate letter dated February 17, 2009.

The Township's response to the finding in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and Township Trustee, and is not intended to be and should not be used by anyone other than those specified parties.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

February 17, 2009

LIVERPOOL TOWNSHIP
MEDINA COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

Finding 2007-01

Significant Deficiency/Material Weakness

The Fiscal Officer made the following audit adjustment to the accounting system:

1. Gasoline taxes of \$11,834.85 that should have been posted to the Township's Gas Tax Fund were posted to the Road and Bridge Fund during 2006.

While the Township's financial statements were not misstated as presented, the fund balances on the Township's accounting system are misstated and could make it difficult for Township Trustees to effectively manage and budget for Township activity.

The Township's Fiscal Officer should review the above adjustment and ensure that similar errors are not made in future years.

Officials Response:

The posting error has been corrected. Measures will be taken to review monthly reports in an attempt to eliminate this error in the future.



Mary Taylor, CPA
Auditor of State

LIVERPOOL TOWNSHIP

MEDINA 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 7, 2009**