



Mary Taylor, CPA
Auditor of State

LIBERTY TOWNSHIP
HIGHLAND COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	21

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Mary Taylor, CPA Auditor of State

Liberty Township
Highland County
95 Moore Road
Hillsboro, Ohio 45133

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 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. 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.

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

Mary Taylor, CPA
Auditor of State

July 22, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Liberty Township
Highland County
95 Moore Road
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Highland 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, Highland 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 July 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

July 22, 2010

**LIBERTY TOWNSHIP
HIGHLAND COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$49,473	\$193,114	\$242,587
Licenses, Permits, and Fees	17,272	0	17,272
Intergovernmental	46,759	150,501	197,260
Special Assessments	0	2,797	2,797
Earnings on Investments	10,643	38	10,681
Miscellaneous	0	4,518	4,518
Total Cash Receipts	124,147	350,968	475,115
Cash Disbursements:			
Current:			
General Government	110,715	6	110,721
Public Safety	0	55,025	55,025
Public Works	479	182,619	183,098
Health	15,043	0	15,043
Total Cash Disbursements	126,237	237,650	363,887
Total Receipts Over/(Under) Disbursements	(2,090)	113,318	111,228
Other Financing Receipts / (Disbursements):			
Transfers-In	217	4,119	4,336
Transfer-Out	0	(4,336)	(4,336)
Total Other Financing Receipts / (Disbursements)	217	(217)	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(1,873)	113,101	111,228
Fund Cash Balances, January 1	95,427	438,207	533,634
Fund Cash Balances, December 31	\$93,554	\$551,308	\$644,862
Reserve for Encumbrances, December 31	\$0	\$15	\$15

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

LIBERTY TOWNSHIP
HIGHLAND 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>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$49,684	\$136,330	\$0	\$0	\$186,014
Licenses, Permits, and Fees	15,822	0	0	0	15,822
Intergovernmental	127,085	150,854	0	0	277,939
Special Assessments	0	4,114	0	0	4,114
Earnings on Investments	11,985	411	0	0	12,396
	<u>204,576</u>	<u>291,709</u>	<u>0</u>	<u>0</u>	<u>496,285</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	125,702	5	0	0	125,707
Public Safety	0	49,803	0	0	49,803
Public Works	36,186	284,145	0	0	320,331
Health	15,655	0	0	0	15,655
Debt Service:					
Redemption of Principal	0	0	32,135	0	32,135
Interest and Other Fiscal Charges	0	0	363	0	363
	<u>177,543</u>	<u>333,953</u>	<u>32,498</u>	<u>0</u>	<u>543,994</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>27,033</u>	<u>(42,244)</u>	<u>(32,498)</u>	<u>0</u>	<u>(47,709)</u>
Other Financing Receipts / (Disbursements):					
Transfers-In	1,927	50,000	31,949	0	83,876
Transfers-Out	(81,949)	0	0	(1,927)	(83,876)
	<u>(80,022)</u>	<u>50,000</u>	<u>31,949</u>	<u>(1,927)</u>	<u>(0)</u>
Total Other Financing Receipts / (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(52,989)	7,756	(549)	(1,927)	(47,709)
Fund Cash Balances, January 1	148,416	430,451	549	1,927	581,343
Fund Cash Balances, December 31	<u>\$95,427</u>	<u>\$438,207</u>	<u>\$0</u>	<u>\$0</u>	<u>\$533,634</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$15</u>	<u>\$0</u>	<u>\$0</u>	<u>\$15</u>

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

**LIBERTY TOWNSHIP
HIGHLAND 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, Highland 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 maintenance. The Township contracts with the City of Hillsboro for fire services to be provided to the Township.

The Township is part of the Highland County Joint Township Hospital District, a jointly governed organization established for the public purpose of better providing for the health and welfare of the people of Highland County. Trustees from each of the 17 townships of Highland County constitute the Highland County Joint Township Hospital Board of Trustees, who appoints the Hospital Board of Governors, which is composed of one member from each township and three at-large members.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization provides property and casualty coverage for its members.

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. Cash and Deposits

The Township deposits all available funds in a "Super NOW Business Checking" account and certificates of deposit at local commercial banks. The Township values certificates of deposits 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:

**LIBERTY TOWNSHIP
HIGHLAND COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

1. General Fund

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

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 fund receives proceeds from the property tax levy for providing fire protection services to Township residents.

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had one debt service fund.

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 fund:

Ervin Road Public Works Project Fund – This fund received a grant from the Ohio Public Works Commission to widen Ervin Road.

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.

**LIBERTY TOWNSHIP
HIGHLAND COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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.

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

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$201,862	\$170,634
Certificates of deposit	443,000	363,000
Total deposits	<u>\$644,862</u>	<u>\$533,634</u>

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

**LIBERTY TOWNSHIP
HIGHLAND COUNTY**

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

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	\$109,369	\$124,364	\$14,995
Special Revenue	319,941	355,087	35,146
Total	\$429,310	\$479,451	\$50,141

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$214,438	\$126,237	\$88,201
Special Revenue	445,345	242,001	203,344
Total	\$659,783	\$368,238	\$291,545

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$185,739	\$206,503	\$20,764
Special Revenue	262,170	341,709	79,539
Debt Service	33,000	31,949	(1,051)
Capital Projects	0	0	0
Total	\$480,909	\$580,161	\$99,252

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$334,985	\$259,492	\$75,493
Special Revenue	436,784	333,968	102,816
Debt Service	33,549	32,498	1,051
Capital Projects	1,927	1,927	0
Total	\$807,245	\$627,885	\$179,360

Contrary to Ohio law, appropriations exceeded expenditures in the Road & Bridge fund by \$50,000 for the year ended December 31, 2008 and in the Motor Vehicle License fund by \$4,518 for the year ended December 31, 2009.

**LIBERTY TOWNSHIP
HIGHLAND COUNTY**

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

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

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

In 2006 a loan was obtained from Merchants National Bank to purchase a truck. The loan was to be repaid over a five year period, however, the Township paid off the loan early in March 2008.

6. Retirement Systems

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS member 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

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.

**LIBERTY TOWNSHIP
HIGHLAND COUNTY**

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

7. Risk Management (Continued)

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, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>27,755,922</u>	<u>29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 million and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$4,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

LIBERTY TOWNSHIP
HIGHLAND COUNTY

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

7. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
2007	\$7,352
2008	7,715
2009	5,109

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

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Mary Taylor, CPA

Auditor of State

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

Liberty Township
Highland County
95 Moore Road
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the financial statements of Liberty Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 22, 2010, 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. We also noted the Township uses the Auditor of States' Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of States' independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions 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.

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 combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2009-002 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We noted certain internal control matters that we reported to the Township's management in a separate letter dated July 22, 2010.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

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

July 22, 2010

LIBERTY TOWNSHIP
HIGHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

Material Noncompliance

Ohio Rev. Code, Section 5705.39, provides that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure as certified by the budget commission. At December 31, 2008, the Township's Road and Bridge Fund had estimated resources totaling \$69,943 and appropriations totaling \$119,943. As a result, the Township's appropriations exceeded the total certified resources in the Road and Bridge Fund by \$50,000. At December 31, 2009, the Township's Motor Vehicle License Fund had estimated resources totaling \$20,916 and appropriations totaling \$25,434. As a result, the Township's appropriations exceeded the total certified resources in the Motor Vehicle License Fund by \$4,518.

In addition, **Ohio Rev. Code, Section 5705.36(A)(3)**, states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess.

In 2008, the Township received an unexpected estate tax settlement totaling \$86,985 and the Township amended their certificate of estimated resources for the General fund and the Board approved an amended appropriation resolution for the additional monies received. However, the Township transferred \$50,000 to the Road and Bridge fund from the General fund and did not amend their certificate of estimated resources for this transfer. In 2009, the Township received an insurance claim of \$4,518 for damages to a 2006 GMC truck. The Township amended their appropriations, however, they did not file an amended certificate of estimated resources.

Failure to file an amended certificate of estimated resources for excess revenue received by the Township in 2008 and 2009 resulted in the Township's appropriations exceeding estimated revenue. We recommend that the Board check the latest amended certificate before making any appropriations to determine the total resources certified as available for appropriations.

Officials' Response:

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

FINDING NUMBER 2009-002

Significant Deficiency

The Township should maintain an accounting system and accounting records sufficient to enable them to identify, assemble, analyze, classify, record and report their transactions, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During testing of receipts we noted the following conditions in 2008:

- The Township posted interest revenue earned in 2007 for 4 Certificates of Deposit (CD's) to their accounting system and financial statements in 2007 prior to the CD's maturing and receiving the interest. These 4 CD's matured and the interest was received by the Township in 2008. This resulted in the Township understating interest revenue related to these CD's totaling \$2,905 in 2008.
- The Township posted interest revenue earned in 2008 for 6 Certificates of Deposit (CD's) to their accounting system and financial statements in 2008 prior to the CD's maturing and receiving the interest. These 6 CD's did not mature and the interest was not received by the Township until 2009 and 2010. This resulted in the Township overstating interest revenue related to these CD's totaling \$9,642 in 2008.
- The Township recorded revenue in the General fund totaling \$15,822 received for cable franchise fees as property and taxes revenue. This revenue should be recorded as license, permits and fees.

During testing of receipts we noted the following conditions in 2009:

- The Township posted interest revenue earned in 2008 for 5 Certificates of Deposit (CD's) to their accounting system and financial statements in 2008 prior to the CD's maturing and receiving the interest. These 5 CD's matured and the interest was received by the Township in 2009. This resulted in the Township understating interest revenue related to these CD's totaling \$6,694 in 2009.
- The Township posted interest revenue earned in 2009 for 8 Certificates of Deposit (CD's) to their accounting system and financial statements prior to the CD's maturing and receiving the interest. These 9 CD's do not mature and the interest will not be received by the Township until 2010. This resulted in the Township overstating interest revenue related to these CD's totaling \$8,209 in 2009.
- The Board of Trustees approved a transfer of FEMA monies totaling \$4,336 from their FEMA fund to reimburse the General fund, Gasoline Tax fund, and the Motor Vehicle License fund. However, the Township recorded the transfer in to the General fund, Gasoline Tax fund, and Motor Vehicle License fund as miscellaneous revenue totaling \$217, \$1,821, and \$2,298 respectively rather than a transfer in. In addition, the transfer out of the FEMA fund was recorded as a public works expense rather than a transfer out.

The Township posted the necessary adjustments to their financial statements and, where applicable, their accounting system.

**FINDING NUMBER 2009-002
(Continued)**

Failure to properly post transactions can result in improper fund balances, misleading financial statements, and increases the risk of the Township misappropriating funds. Since the Township is following the accounting basis permitted by the Auditor of State that is similar to the cash receipts and disbursements accounting basis we recommend that the Township recognize receipts when received in cash rather than when earned. In addition, we recommend that all transactions be properly posted and reviewed for accuracy.

Officials Response:

The interest was posted in this way due to the interpretation of the UAN Year-End Procedures re: "How to Handle Investments (Certificates of Deposit,... etc.) and posting of year-end-interest. Beginning in 2010, we will post the interest as recommended by the Auditor of State.

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**LIBERTY TOWNSHIP
HIGHLAND 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>
2007-1	ORC 5705.36(A)(2) estimated receipts exceeded actual receipts and the excess was appropriated	No	Not corrected. Repeated in management letter.
2007-2	ORC 5705.39 appropriations exceeded the total certified resources in 2006	No	Not corrected. Repeated as Finding 2009-001.
2007-3	ORC 5705.41(D)	Yes	
2007-4	OAC 117-2-01(D)	No	Not corrected. Recommendation issued as Finding 2009-002



Mary Taylor, CPA
Auditor of State

LIBERTY TOWNSHIP

HIGHLAND 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
AUGUST 10, 2010**