



**LIBERTY TOWNSHIP
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 - 2006



Mary Taylor, CPA
Auditor of State

LIBERTY TOWNSHIP
FAIRFIELD COUNTY

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Mary Taylor, CPA
Auditor of State

Liberty Township
Fairfield County
816 W. Market Street
Baltimore, Ohio 43105

To the Board of Trustees:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 15, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Liberty Township
Fairfield County
816 W. Market Street
Baltimore, Ohio 43105

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Fairfield County, Ohio, (the Township) as of and for the years ended December 31, 2007 and 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 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, 2007 and 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 2006, 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, Fairfield County, Ohio as of December 31, 2007 and 2006, 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 August 15, 2008 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

August 15, 2008

**LIBERTY TOWNSHIP
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Private Purpose Trust Fund</u>	
Cash Receipts:				
Local Taxes	\$ 110,487	\$ 177,824	\$ -	\$ 288,311
Intergovernmental	213,498	201,364	-	414,862
Licenses, Permits, and Fees	31,298	-	-	31,298
Earnings on Investments	13,815	259	2	14,076
Miscellaneous	5,654	871	-	6,525
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	374,752	380,317	2	755,071
Cash Disbursements:				
Current:				
General Government	206,939	-	-	206,939
Public Works	64,972	391,762	-	456,734
Health	34,796	-	-	34,796
Capital Outlay	100,000	-	-	100,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	406,707	391,762	-	798,469
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(31,955)	(11,445)	2	(43,398)
Other Financing Receipts:				
Proceeds of Notes	100,000	-	-	100,000
Sale of Assets	9,000	-	-	9,000
Other Financing Sources	791	-	-	791
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	109,791	-	-	109,791
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	77,836	(11,445)	2	66,393
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	137,925	172,408	645	310,978
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 215,761	\$ 160,963	\$ 647	\$ 377,371

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

**LIBERTY TOWNSHIP
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Private Purpose Trust Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>		
Cash Receipts:				
Local Taxes	\$ 107,027	\$ 173,458	\$ -	\$ 280,485
Intergovernmental	192,161	195,221	-	387,382
Licenses, Permits, and Fees	38,950	-	-	38,950
Earnings on Investments	16,247	706	2	16,955
Miscellaneous	1,095	5,164	-	6,259
	<u>355,480</u>	<u>374,549</u>	<u>2</u>	<u>730,031</u>
Cash Disbursements:				
Current:				
General Government	195,858	-	-	195,858
Public Works	18,404	390,318	-	408,722
Health	35,292	-	-	35,292
Capital Outlay	258,670	34,850	-	293,520
	<u>508,224</u>	<u>425,168</u>	<u>-</u>	<u>933,392</u>
Total Receipts Over/(Under) Disbursements	<u>(152,744)</u>	<u>(50,619)</u>	<u>2</u>	<u>(203,361)</u>
Other Financing Receipts:				
Other Financing Sources	5,146	-	-	5,146
	<u>5,146</u>	<u>-</u>	<u>-</u>	<u>5,146</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	(147,598)	(50,619)	2	(198,215)
Fund Cash Balances, January 1	<u>285,523</u>	<u>223,027</u>	<u>643</u>	<u>509,193</u>
Fund Cash Balances, December 31	<u>\$ 137,925</u>	<u>\$ 172,408</u>	<u>\$ 645</u>	<u>\$ 310,978</u>
Reserve for Encumbrances, December 31	<u>\$ -</u>	<u>\$ 21,878</u>	<u>\$ -</u>	<u>\$ 21,878</u>

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

**LIBERTY TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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, Fairfield 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, and cemetery maintenance. The Township contracts with Basil Joint Fire District to provide fire services and to provide ambulance services. Police protection is provided by the Fairfield County Sheriff's department.

The Township participates in two jointly governed organizations and the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities.

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 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.

The Township invests in a public sweep account which is 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
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds (continued)

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.

3. Fiduciary Fund (Trust Fund)

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 is for the benefit of Fairchild Cemetery.

The Township had no agency funds.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**LIBERTY TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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 carried over, and need not be reappropriated.

A summary of 2007 and 2006 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 Cash and Investments

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

	2006	2007
Checking Account	\$25,000	\$25,000
Savings Account	645	647
Total deposits	25,645	25,647
Repurchase Agreement	285,333	351,724
Total investments	285,333	351,724
Total deposits and investments	\$310,978	\$377,371

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

**LIBERTY TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$462,835	\$484,543	\$21,708
Special Revenue	339,640	380,317	40,677
Private Purpose Trust	2	2	0
Total	\$802,477	\$864,862	\$62,385

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$449,079	\$406,707	\$42,372
Special Revenue	431,500	391,762	39,738
Private Purpose Trust	0	0	0
Total	\$880,579	\$798,469	\$82,110

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$326,490	\$360,626	\$34,136
Special Revenue	309,231	374,549	65,318
Private Purpose Trust	3	2	(1)
Total	\$635,724	\$735,177	\$99,453

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$573,270	\$508,224	\$65,046
Special Revenue	484,658	447,046	37,612
Private Purpose Trust	0	0	0
Total	\$1,057,928	\$955,270	\$102,658

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.

**LIBERTY TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. Property Tax (continued)

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

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Promissory Note	100,000	5.25%
Total	\$100,000	

In 2007, the Township issued Promissory Notes to finance the purchase of two new dump trucks for Township road maintenance. The Township's taxing authority collateralized the notes.

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

	Promissary Notes
Year ending December 31:	
2008	\$23,308
2009	23,308
2010	23,308
2011	23,308
2012	23,308
Total	\$116,539

6. Retirement Systems

All employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006, OPERS members contributed 9% of their gross salaries and for 2007 members contribute 9.5% of their gross salaries. The Township contributed an amount equaling 13.70% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**LIBERTY TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

**LIBERTY TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management (continued)

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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$10,179. 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.

Contributions to OTARMA	
2005	\$13,092
2006	\$13,493
2007	\$10,829

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.

LIBERTY TOWNSHIP
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

8. Jointly Governed Organizations

Fairfield Regional Planning Commission - The Township appoints a person to represent the Township on the 48 member board of the Fairfield Regional Planning Commission. The Township pays a small membership fee annually. The fee is based on the per capita of the Township. There is no ongoing financial interest of responsibility by the Township.

Basil Joint Fire District - The Fire District provides fire protection and rescue services to the Township. The Township appoints a Trustee to represent the Township on the Fire District's five-member Board of Trustees. There is no ongoing financial interest of responsibility by the Township.



Mary Taylor, CPA

Auditor of State

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

Liberty Township
Fairfield County
816 W. Market Street
Baltimore, Ohio 43105

To the Board of Trustees:

We have audited the financial statements of the Liberty Township, Fairfield County, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 15, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's 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 expressing our opinion on the financial statements, but not to opine 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 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 certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe the finding number 2007-001 is also a material weakness.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated August 15, 2008.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported the Township's management in a separate letter dated August 15, 2008.

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



Mary Taylor, CPA
Auditor of State

August 15, 2008

**LIBERTY TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDING 2007-001

Significant Deficiency/Material Weakness

Financial Statement Presentation

A monitoring system by the Fiscal Officer and Board of Trustees 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 to the Township's accounting system. The following posting errors were noted:

Errors noted on the *Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types*:

- Proceeds of Notes of \$100,000 were incorrectly posted as Other Financing Sources
- Permissive Motor Vehicle License Tax of \$56,498 and \$56,120 for 2007 and 2006 respectively were incorrectly posted as taxes
- Expenditures encumbered at December 31, 2006 were not accurately reported as Reserved for encumbrances in the amount of \$21,878 in the Special Revenue Fund Type.
- Sale of Assets of \$9,000 were incorrectly posted to Miscellaneous Revenue

Not posting revenues accurately to the ledgers resulted in the financial statements requiring numerous audit reclassification entries.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of transactions. Transactions should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network chart of accounts. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of financial data throughout the year and at year end.

Officials' Response: We did not receive an Official response for this finding.

**LIBERTY TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code § 5705.41 (D) Properly encumbering funds	No	Partially Corrected – Issued a Management Letter Comment
2005-002	Ohio Rev. Code § 4115.04 Prevailing Wage	Yes	
2005-003	Ohio Rev. Code § 507.09 Township Fiscal Officer Salary	Yes	



Mary Taylor, CPA
Auditor of State

LIBERTY TOWNSHIP

FAIRFIELD 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
SEPTEMBER 23, 2008**