



**Auditor of State
Betty Montgomery**

LIBERTY TOWNSHIP
TRUMBULL COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
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, 2003	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type – Internal Service Fund For the Year Ended December 31, 2003	4
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, 2002	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type – Internal Service Fund For the Year Ended December 31, 2002	6
Notes to the Financial Statements	7
Report of Independent Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17

This page intentionally left blank.



Auditor of State Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS

Liberty Township
Trumbull County
1315 Churchill-Hubbard Road
Liberty, Ohio 44505

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Trumbull County (the Township) as of and for the years ended December 31, 2003 and 2002. 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 about 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's financial transactions were processed using 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 conduct the audit of 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2005 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

This report is intended solely for the information and use of the management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 31, 2005

**LIBERTY TOWNSHIP
TRUMBULL 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, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	
Cash Receipts:					
Local Taxes	\$295,327	\$2,434,922			\$2,730,249
Intergovernmental	729,503	1,148,321	\$102,178		1,980,002
Fines, Forfeitures, and Penalties	11,772	60,657			72,429
Charges for Services	46,382	178,552			224,934
Licenses, Permits, and Fees	24,004				24,004
Special Assessments		23,851			23,851
Earnings on Investments	44,821	295		\$6	45,122
Other Revenue	135,372	77,271			212,643
Total Cash Receipts	<u>1,287,181</u>	<u>3,923,869</u>	<u>102,178</u>	<u>6</u>	<u>5,313,234</u>
Cash Disbursements:					
Current:					
General Government	1,007,732	12,734			1,020,466
Public Safety	260,257	3,363,202			3,623,459
Public Works	513,129	557,233			1,070,362
Health	8,017	9,146			17,163
Human Services	12,013				12,013
Conservation - Recreation	158,468				158,468
Miscellaneous		84,624			84,624
Capital Outlay			430,158		430,158
Total Cash Disbursements	<u>1,959,616</u>	<u>4,026,939</u>	<u>430,158</u>		<u>6,416,713</u>
Total Receipts Under Disbursements	<u>(672,435)</u>	<u>(103,070)</u>	<u>(327,980)</u>	<u>6</u>	<u>(1,103,479)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		34,185			34,185
Transfers-Out	(79,185)				(79,185)
Advances-In	630,000	630,000			1,260,000
Advances-Out	(630,000)	(630,000)			(1,260,000)
Total Other Financing Receipts/(Disbursements)	<u>(79,185)</u>	<u>34,185</u>			<u>(45,000)</u>
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements	<u>(751,620)</u>	<u>(68,885)</u>	<u>(327,980)</u>	<u>6</u>	<u>(1,148,479)</u>
Fund Cash Balances, January 1	<u>1,531,583</u>	<u>522,671</u>	<u>1,255,262</u>	<u>1,153</u>	<u>3,310,669</u>
Fund Cash Balances, December 31	<u>\$779,963</u>	<u>\$453,786</u>	<u>\$927,282</u>	<u>\$1,159</u>	<u>\$2,162,190</u>

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

LIBERTY TOWNSHIP
TRUMBULL COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type
	Internal Service
Operating Cash Receipts:	
Contributions	\$706,557
Total Operating Cash Receipts	706,557
Operating Cash Disbursements:	
Health Benefits	722,002
Total Operating Cash Disbursements	722,002
Operating Income	(15,445)
Non-Operating Cash Receipts:	
Earnings on Investments	747
Other Non-Operating Receipts	3,811
Total Non-Operating Cash Receipts	4,558
Excess of Receipts Over Disbursements Before Interfund Transfers	(10,887)
Transfers-In	45,000
Net Receipts Over Disbursements	34,113
Fund Cash Balances, January 1	146,615
Fund Cash Balances, December 31	\$180,728

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

**LIBERTY TOWNSHIP
TRUMBULL 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, 2002**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	
Cash Receipts:					
Local Taxes	\$322,529	\$3,045,734			\$3,368,263
Intergovernmental	2,586,033	561,247	\$222,530		3,369,810
Fines, Forfeitures, and Penalties	15,296	1,308			16,604
Charges for Services	40,627	182,326			222,953
Licenses, Permits, and Fees	43,027				43,027
Special Assessments		23,335			23,335
Earnings on Investments	74,849	10		\$12	74,871
Other Revenue	73,903	66,915			140,818
Total Cash Receipts	<u>3,156,264</u>	<u>3,880,875</u>	<u>222,530</u>	<u>12</u>	<u>7,259,681</u>
Cash Disbursements:					
Current:					
General Government	717,255				717,255
Public Safety	205,345	3,230,663			3,436,008
Public Works	543,509	503,059			1,046,568
Health	3,351	5,042			8,393
Human Services	63,196				63,196
Conservation - Recreation	119,492				119,492
Capital Outlay		156,568	380,125		536,693
Total Cash Disbursements	<u>1,652,148</u>	<u>3,895,332</u>	<u>380,125</u>		<u>5,927,605</u>
Total Receipts Over/(Under) Disbursements	<u>1,504,116</u>	<u>(14,457)</u>	<u>(157,595)</u>	<u>12</u>	<u>1,332,076</u>
Other Financing Receipts(Disbursements):					
Transfers-In	149,605	136,299	1,359,431		1,645,335
Transfers-Out	(1,490,282)	(155,053)			(1,645,335)
Advances-In	123,529	118,082			241,611
Advances-Out	(118,082)	(123,529)			(241,611)
Other Financing Sources	500				500
Total Other Financing Receipts(Disbursements)	<u>(1,334,730)</u>	<u>(24,201)</u>	<u>1,359,431</u>		<u>500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>169,386</u>	<u>(38,658)</u>	<u>1,201,836</u>	<u>12</u>	<u>1,332,576</u>
Fund Cash Balances, January 1	<u>1,362,197</u>	<u>561,329</u>	<u>53,426</u>	<u>1,141</u>	<u>1,978,093</u>
Fund Cash Balances, December 31	<u>\$1,531,583</u>	<u>\$522,671</u>	<u>\$1,255,262</u>	<u>\$1,153</u>	<u>\$3,310,669</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$2,333</u>	<u>\$51,135</u>	<u>\$0</u>	<u>\$53,468</u>

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

LIBERTY TOWNSHIP
TRUMBULL COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Type
	Internal Service
Operating Cash Receipts:	
Contributions	\$474,092
Total Operating Cash Receipts	474,092
Operating Cash Disbursements:	
Health Benefits	653,284
Total Operating Cash Disbursements	653,284
Operating Income	(179,192)
Non-Operating Cash Receipts:	
Earnings on Investments	7,048
Other Non-Operating Receipts	44
Total Non-Operating Cash Receipts	7,092
Non-Operating Cash Disbursements:	
Fiscal Charges	(4,043)
Total Non-Operating Cash Disbursements	(4,043)
Net Receipts Over Disbursements	(176,143)
Fund Cash Balances, January 1 (Restated - See Note 7)	322,758
Fund Cash Balances, December 31	\$146,615

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

**LIBERTY TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Liberty Township, Trumbull 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 road and bridge maintenance, cemetery maintenance, police and fire protection, and emergency medical services.

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

B. 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 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and repurchase agreements are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from 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.

**LIBERTY TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Police District Fund – This fund receives property tax money to pay for the general operation of the Police Department.

Fire District Fund – This fund receives property tax money to pay for the general operation of the Fire Department.

3. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital projects fund:

Permanent Improvement Fund – This fund provides for the maintenance of the Township's buildings.

4. Fiduciary Fund (Trust Fund)

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary fund:

Cemetery Bequest Fund – This fund uses its revenue for the care and maintenance of cemetery plots.

5. Proprietary Fund (Internal Service Fund)

This fund is used to account for the financing of services provided by one department to other departments of the Township on a cost-reimbursement basis. The Township had the following internal service fund:

VEBA Fund - This fund (Volunteer Employee Benefit Account) is used to finance claims against the employees' hospitalization and medical coverage.

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
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (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 re-appropriated.

A summary of 2003 and 2002 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 leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	(\$47,779)	\$24,880
Certificates of deposit	2,000,000	2,000,000
Total deposits	1,952,221	2,024,880
Repurchase Agreement	71,000	321,000
STAR Ohio	319,697	1,111,404
Total investments	390,697	1,432,404
Total deposits and investments	\$2,342,918	\$3,457,284

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

Investments: Securities to collateralize repurchase agreements are held in book entry form by the trust department of the Township's financial institution in the Township's name. Investments in STAR Ohio are not evidenced by securities that exist in physical or book entry form.

**LIBERTY TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,597,064	\$1,287,181	(\$309,883)
Special Revenue	4,206,204	3,958,054	(248,150)
Capital Projects	0	102,178	102,178
Fiduciary	0	6	6
Proprietary	865,018	756,115	(108,903)
Total	<u>\$6,668,286</u>	<u>\$6,103,534</u>	<u>(\$564,752)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,008,941	\$2,038,801	\$970,140
Special Revenue	4,621,823	4,026,939	594,884
Capital Projects	1,306,397	430,158	876,239
Fiduciary	1,225	0	1,225
Proprietary	865,018	722,002	143,016
Total	<u>\$9,803,404</u>	<u>\$7,217,900</u>	<u>\$2,585,504</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,370,783	\$3,306,369	(\$64,414)
Special Revenue	3,880,235	4,017,174	136,939
Capital Projects	1,332,710	1,581,961	249,251
Fiduciary	0	12	12
Proprietary	480,000	481,184	1,184
Total	<u>\$9,063,728</u>	<u>\$9,386,700</u>	<u>\$322,972</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,751,844	\$3,142,430	\$1,609,414
Special Revenue	4,497,383	4,052,718	444,665
Capital Projects	1,560,752	431,260	1,129,492
Fiduciary	1,141	0	1,141
Proprietary	804,597	657,327	147,270
Total	<u>\$11,615,717</u>	<u>\$8,283,735</u>	<u>\$3,331,982</u>

**LIBERTY TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

5. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Risk Pool Membership

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

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. ATEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**LIBERTY TOWNSHIP
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RISK MANAGEMENT (Continued)

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 township.

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:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

Self Insurance

The Township is also self insured for hospitalization and medical coverage. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on historical claims data.

LIBERTY TOWNSHIP
TRUMBULL COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

7. RESTATEMENT OF FUND CASH BALANCES

For the year commencing January 1, 2002, the fund cash balances reported by the Township had classified the Volunteer Employee Benefit Account Fund as a Fiduciary Fund Type – Expendable Trust Fund. However, the Township has since elected to classify this fund as a Proprietary Fund Type – Internal Service Fund. The effect of this change in classification to the fund cash balances was as follows:

<u>Fund</u>	<u>Previously Stated Cash Balance at 12/31/01</u>	<u>Reclassification</u>	<u>Restated Cash Balance at 1/1/02</u>
Expendable Trust	\$ 322,758	\$ (322,758)	\$ 0
Internal Service	0	322,758	322,758

This page intentionally left blank.



Auditor of State Betty Montgomery

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

Liberty Township
Trumbull County
1315 Churchill-Hubbard Road
Liberty, Ohio 44505

To the Board of Trustees:

We have audited the financial statements of Liberty Township (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated March 31, 2005 wherein we noted that the Township's financial transactions were processed using 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 conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the Township's management dated March 31, 2005, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. In a separate letter to the Township's management dated March 31, 2005, we reported other matters related to noncompliance we deemed immaterial.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

Liberty Township
Trumbull County
Report of Independent Accountants on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 31, 2005

LIBERTY TOWNSHIP
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Public Money Illegally Expended

The salary of a township trustee is set pursuant to **Ohio Revised Code Section 505.24**. Legislation included in House Bill 94, effective September 25, 2001, provided increases in the trustees' pay scale for townships with budgets over \$6,000,000 beginning in 2002. These increases in pay scales were effective for those trustees who were elected or appointed after September 5, 2001. Trustee Patrick Durina's term of office was January 1, 2000 to December 31, 2003, and therefore, was not entitled to terms of the new pay scale since that would constitute an in-term pay increase which is prohibited pursuant to Article II, Section 20 of the Ohio Constitution.

A misapplication of the new pay scale by the Township Clerk resulted in the overpayment of compensation to Trustee Durina in 2002 as follows:

<u>Township</u> <u>Budget</u>	<u>Rate</u>	<u>Annual Salary</u> <u>Allowed</u>	<u>Actual Salary</u> <u>Paid</u>	<u>Overpayment</u> <u>Amount</u>
Greater Than \$6,000,000	\$58.53 Per Day	\$11,706.00	\$16,789.46	\$5,083.46

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, public money was illegally expended. As of the date of this report, the total amount of \$5,083.46 has been repaid to the Township.

FINDING NUMBER 2003-002

Public Money Illegally Expended

The salary of a township clerk is set pursuant to **Ohio Revised Code Section 507.09**. Legislation included in House Bill 94, effective September 25, 2001, provided increases in the clerks' pay scale for townships with budgets over \$6,000,000 beginning in 2002. These increases in pay scale were effective for those clerks who were elected or appointed after September 5, 2001. Clerk John Fusco's term of office was April 1, 2000 to March 31, 2004, and therefore, was not entitled to terms of the new pay scale since that would constitute an in-term pay increase which is prohibited pursuant to Article II, Section 20 of the Ohio Constitution.

A misapplication of the new pay scale resulted in the overpayment of compensation to Clerk Fusco in 2002 as follows:

<u>Township</u> <u>Budget</u>	<u>Annual Salary</u> <u>Allowed</u>	<u>Actual Salary</u> <u>Paid</u>	<u>Overpayment</u> <u>Amount</u>
Greater Than \$6,000,000	\$19,809.00	\$20,690.25	\$881.25

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, public money was illegally expended. As of the date of this report, the total amount of \$881.25 has been repaid to the Township.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

LIBERTY TOWNSHIP

TRUMBULL 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
JUNE 14, 2005**