

LIBERTY TOWNSHIP

Jackson County, Ohio

Regular Audit

For the Years Ended December 31, 2003 and 2002

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

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**Auditor of State
Betty Montgomery**

Board of Trustees
Liberty Township
12427 Beaver Pike
Jackson, Ohio 45640

We have reviewed the *Independent Auditor's Report* of Liberty Township, Jackson County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2002 to December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

February 13, 2006

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LIBERTY TOWNSHIP
JACKSON COUNTY

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

Liberty Township
Jackson County
12427 Beaver Pike
Jackson, Ohio 45640

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Jackson County, Ohio (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. 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 of Liberty Township, Jackson County, 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 January 28, 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.

Liberty Township
Jackson County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of the audit committee, 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.

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

January 28, 2005

LIBERTY TOWNSHIP
JACKSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL 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>	
Cash Receipts:				
Local Taxes	\$54,755	\$19,351	\$2,752	\$76,858
Intergovernmental	34,512	250,276	0	\$284,788
Earnings on Investments	258	46	0	\$304
Other Revenue	0	3,577	0	\$3,577
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	89,525	273,250	2,752	365,527
Cash Disbursements:				
Current:				
General Government	53,253	3,648	0	56,901
Public Safety	32,975	21,981	0	54,956
Public Works	0	247,007	0	247,007
Conservation - Recreation	2,473	0	0	2,473
Other	0	0	0	0
Capital Outlay	0	0	1,588	1,588
Debt Service:				
Redemption of Principal	18,000	1,329	1,292	20,621
Interest & Fiscal Charges	264	2,434	845	3,542
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	106,965	276,399	3,725	387,088
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(17,440)	(3,149)	(973)	(21,561)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(17,440)	(3,149)	(973)	(21,561)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	21,819	28,226	540	50,585
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$4,379	\$25,078	(\$433)	\$29,024

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

LIBERTY TOWNSHIP
JACKSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$48,907	\$36,939	\$0	\$85,847
Intergovernmental	36,888	154,077	2,698	\$193,664
Earnings on Investments	131	62	0	\$194
Other Revenue	0	6,640	0	\$6,640
	<hr/>			
Total Cash Receipts	85,927	197,719	2,698	286,344
	<hr/>			
Cash Disbursements:				
Current:				
General Government	35,791	0	0	35,791
Public Safety	0	27,367	0	27,367
Public Works	9,726	118,495	0	128,221
Health	7,360	0	0	7,360
Other	8,000	5,202	1,915	15,117
Capital Outlay	0	0	1,960	1,960
Debt Service:				
Redemption of Principal	18,000	6,219	1,252	25,471
Interest & Fiscal Charges	0	4,908	707	5,616
	<hr/>			
Total Cash Disbursements	78,877	162,192	5,834	246,902
	<hr/>			
Total Cash Receipts Over/(Under) Cash Disbursements	7,050	35,527	(3,135)	39,442
	<hr/>			
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	7,050	35,527	(3,135)	39,442
	<hr/>			
Fund Cash Balances, January 1	14,769	(7,301)	3,675	11,143
	<hr/>			
Fund Cash Balances, December 31	\$21,819	\$28,226	\$540	\$50,585

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

LIBERTY TOWNSHIP JACKSON COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Liberty Township, Jackson County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, and cemetery maintenance.

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** The Township had one primary checking account during the audit period.

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:

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Permissive Sales Tax Fund - This fund receives county sales tax money for constructing, maintaining and repairing Township roads and bridges.

**LIBERTY TOWNSHIP
JACKSON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects.

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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash balances 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

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.

**LIBERTY TOWNSHIP
JACKSON COUNTY**

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

2. EQUITY IN POOLED CASH

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

	<u>2003</u>	<u>2002</u>
Demand Deposits	<u>\$ 29,024</u>	<u>\$ 50,585</u>

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

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 98,100	\$89,525	(\$8,575)
Special Revenue	189,244	273,250	84,006
Capital Projects	6,022	2,752	(3,270)
Total	\$ 293,366	\$ 365,527	\$ 72,161

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$154,411	\$ 106,965	\$ 47,446
Special Revenue	241,946	276,399	(34,453)
Capital Projects	6,000	3,725	2,275
Total	\$ 402,357	\$ 387,089	\$ 15,268

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 98,100	\$ 85,927	\$(12,173)
Special Revenue	188,244	197,719	9,475
Capital Projects	6,022	2,698	(3,324)
Total	\$ 293,366	\$ 286,344	\$(7,022)

**LIBERTY TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$106,187	\$ 78,877	\$ 27,310
Special Revenue	174,271	162,192	12,079
Capital Projects	6,022	5,834	188
Total	<u>\$ 286,480</u>	<u>\$ 246,902</u>	<u>\$ 39,578</u>

Contrary to Ohio Law, the Township did not encumber all commitments during 2003 and 2002. Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Special Revenue Fund by \$34,453.

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.

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, 2003 was as

follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note (Water Line)	\$ 7,285	5.99%
Promissory Note (Equipment)	36,000	5.99%
Total	<u>\$ 43,285</u>	

The general obligation notes were issued to finance the construction of a water line and to complete a chip and seal project for the Township's roads and are collateralized solely by the Township's taxing authority. The promissory note was issued to finance the purchase of a 1999 International Dump Truck, and a backhoe and is collateralized by the equipment.

**LIBERTY TOWNSHIP
JACKSON COUNTY**

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

5. DEBT (Continued)

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

	General Obligation Note Water Line	Promissory Note Equipment
Year ending December 31:		
2004	\$3,177	\$20,462
2005	3,177	20,462
2006	605	3,410
Total	\$6,959	\$43,334

6. RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides 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, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2002, and for 2003.

7. 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 occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

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.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 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.

**LIBERTY TOWNSHIP
JACKSON COUNTY**

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

7. RISK POOL MEMBERSHIP (Continued)

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 report 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	(11,791,30)	(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>

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with *Government Auditing Standards*

Liberty Township
Jackson County
12427 Beaver Pike
Jackson, Ohio 45640

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated January 28, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated January 28, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable Conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-003 through 2003-006.

Liberty Township
Jackson County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2003-005 and 2003-006 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated January 28, 2005.

This report is intended solely for the information and use of the audit committee management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

January 28, 2005

**LIBERTY TOWNSHIP
JACKSON 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

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2003, expenditures exceeded appropriations in the special revenue fund by \$34,053 respectively.

The Township Clerk should deny payment requests exceeding appropriations. The Township Clerk may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code § 5705.41(D) provides no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

**LIBERTY TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2003-002 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code § 5705.41(D) (Continued)

Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

We noted during our testing of nonpayroll disbursements 100% of all disbursements for amounts exceeding \$1000 had invoices dated prior to the date of the Township Clerk's certification of funds and the Township did not subsequently approve the expenditures and follow the proper "then and now" procedures.

If expenditures are not properly encumbered and appropriated, disbursements can be made in error or with unavailable funds.

We recommend the Township follow the above guidelines of the Ohio Revised Code section 5705.41(D) and obtain the Township Clerk's certification of funds prior to committing to a purchase or issue a then and now certificate.

FINDING NUMBER 2003-003

Reportable Condition

During our test of cash we noted the Township was out of balance with the bank during most of the audit period even though bank reconciliations were prepared. We noted that most reconciliations had unexplained reconciling items.

Unexplained reconciling items may represent errors in the financial statements,

We recommend the Township Clerk prepare monthly reconciliations and investigate all variances when it is found that the Township's books do not balance with the bank. If the mistake was made by the bank the Township Clerk should notify the bank to correct the mistake. If the mistake is caused by posting errors the Township Clerk should determine her mistake and correct it before closing out for the month. Further, we recommend the Township Clerk present the bank reconciliations to the Board of Trustees for their review and signature approval. We also recommend the Board of Trustees not approve any bank reconciliation that has adjusting factors that are not fully explained.

LIBERTY TOWNSHIP
JACKSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-004

Reportable Condition

During our test of receipts it was noted the Township Clerk posted several receipts and disbursements to the incorrect Line item, in the net and/or to the incorrect fund.

This could result in receipts and disbursements being misstated. It also resulted in many reclassifications and adjustments.

We recommend the Township Clerk review the UAN manual chart of accounts to determine the correct line items to post the receipts. We further recommend that receipts be posted to the correct funds and that real estate, personal property and manufactured homes taxes and permissive sales taxes be posted in the gross with the fees posted as disbursements

FINDING NUMBER 2003-005

Material Weakness

The small size of the Township's staff does not allow for an adequate segregation of duties. The Township Clerk must perform all accounting functions. It is, therefore, important that the Board of Trustees monitor financial activity closely. While the Board of Trustees did approve all payment vouchers, there was no documentation of the extent to which the Board of Trustees used other financial information to monitor financial activity. The Township Clerk provides the Board with a list of disbursements however the Trustees do not receive monthly financial reports which could result in the Trustees not monitoring the financial and budgetary activity of the Township.

We recommend the Township Clerk prepare monthly bank reconciliation and provide the Board of Trustees a copy of the monthly bank reconciliation for at least a signature approval. Also we recommend the Township Clerk provide the Board of Trustees with a monthly financial report which includes month and year to date receipts and disbursements, prior year to date receipts and disbursements and the budgetary information. The Board of Trustees should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Township.

This information can help answer questions such as the following:

Inquiries Relevant to Overall Township Operations:

- * are current receipts sufficient to cover expenditures;
- * are expenditures in line with prior year costs;
- * if unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted;
- * are anticipated receipts being timely received; and
- * is the Township maximizing its return on invested cash balances?

Board of Trustees should approve the reports with their signatures and utilize the information provided to monitor budget vs. actual receipts and disbursements and compare current financial information with prior year financial information.

**LIBERTY TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2003-006

Material Weakness

During our test of budgetary it was noted that the Township Clerk posted different amounts to the UAN system for Appropriations and Estimated Receipts than were on the Township's Annual Appropriations Resolution and Amended Official Certificate of Estimated Resources and there were no amendments to either the Appropriations or Amended Certificate during the audit period.

This could result in lack of the Township's management effectively monitoring the financial position of the Township.

We recommend the Township Clerk review the UAN manuals for the proper way to input the information from these forms. We further recommend the Board of Trustees review financial reports to insure that the proper amounts have been input into the UAN system.

**LIBERTY TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40740-001	Finding for Recovery	Corrected	Repaid under prior audit
2001-40740-002	Finding for Recovery – Material Negative Balances	Corrected	
2001-40740-003	Noncompliance Citation ORC 5705.10	Corrected	
2001-40740-004	Noncompliance Citation ORC 5705.41(B)	Not Corrected	Citation was reissued. See finding 2003-001
2001-40740-005	Noncompliance Citation ORC 5705.41(D)	Not Corrected	Citation was reissued. See finding 2003-002
2001-40740-006	Reportable Condition – Cash Out of Balance	Not Corrected	Finding was reissued. See finding 2003-003
2001-40740-007	Reportable Condition – Transaction Posting	Not Corrected	Finding was reissued. See finding 2003-004
2001-40740-008	Material Weakness – Segregation of Duties	Not Corrected	Finding was reissued. See finding 2003-005
2001-40740-009	Material Weakness – Incorrect Posting of Budgetary Items	Not Corrected	Finding was reissued. See finding 2003-006



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LIBERTY TOWNSHIP

JACKSON 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
FEBRUARY 23, 2006**