



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



LIBERTY TOWNSHIP  
JACKSON COUNTY

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

743 East State Street  
Athens Mall Suite B  
Athens, Ohio 45701  
Telephone 740-594-3300  
800-441-1389  
Facsimile 740-594-2110  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

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, 2001 and 2000. 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, 2001 and 2000, 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 September 4, 2002, 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.

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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

September 4, 2002

**LIBERTY TOWNSHIP  
JACKSON 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, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$42,443	\$17,332	\$3,017	\$62,792
Intergovernmental	51,802	148,285		200,087
Charges for Services		42		42
Earnings on Investments	269	200		469
Other Revenue	18,034	14,215		32,249
<b>Total Cash Receipts</b>	<u>112,548</u>	<u>180,074</u>	<u>3,017</u>	<u>295,639</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	80,627	1,313		81,940
Public Safety		2,559		2,559
Public Works	7,000	196,981		203,981
Health	7,764			7,764
Debt Service:				
Redemption of Principal	20,000	119,438	1,182	140,620
Interest and Fiscal Charges	1,333	4,946	316	6,595
Capital Outlay	3,000			3,000
<b>Total Cash Disbursements</b>	<u>119,724</u>	<u>325,237</u>	<u>1,498</u>	<u>446,459</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(7,176)</u>	<u>(145,163)</u>	<u>1,519</u>	<u>(150,820)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Sale of Notes		120,000		120,000
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>0</u>	<u>120,000</u>	<u>0</u>	<u>120,000</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(7,176)</u>	<u>(25,163)</u>	<u>1,519</u>	<u>(30,820)</u>
<b>Fund Cash Balances, January 1</b>	<u>21,945</u>	<u>17,862</u>	<u>2,156</u>	<u>41,963</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$14,769</b></u>	<u><b>(\$7,301)</b></u>	<u><b>\$3,675</b></u>	<u><b>\$11,143</b></u>

*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 AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$40,284	\$16,567	\$2,156	\$59,007
Intergovernmental	45,599	142,937		188,536
Earnings on Investments	519	337		856
Other Revenue	101	2,971		3,072
	<u>86,503</u>	<u>162,812</u>	<u>2,156</u>	<u>251,471</u>
Total Cash Receipts				
<b>Cash Disbursements:</b>				
Current:				
General Government	78,498	1,852		80,350
Public Safety		17,024		17,024
Public Works	8,500	124,314		132,814
Debt Service:				
Redemption of Principal	2,103	13,788		15,891
Interest and Fiscal Charges	1,050	6,743		7,793
	<u>90,151</u>	<u>163,721</u>	<u>0</u>	<u>253,872</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(3,648)</u>	<u>(909)</u>	<u>2,156</u>	<u>(2,401)</u>
Fund Cash Balances, January 1	<u>25,593</u>	<u>18,771</u>	<u>0</u>	<u>44,364</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$21,945</u></b>	<b><u>\$17,862</u></b>	<b><u>\$2,156</u></b>	<b><u>\$41,963</u></b>

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

**LIBERTY TOWNSHIP  
JACKSON COUNTY**

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

**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, 2001 AND 2000  
(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 2001 and 2000 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, 2001 AND 2000  
(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:

	2001	2000
Demand Deposits	\$ 11,143	\$ 41,963

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and 2000 was as follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 72,770	\$ 112,548	\$ 39,778
Special Revenue	164,087	300,074	135,987
Capital Projects	6,022	3,017	(3,005)
Total	\$ 242,879	\$ 415,639	\$ 172,760

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$ 98,100	\$ 119,724	\$ (21,624)
Special Revenue	182,723	325,237	(142,514)
Capital Projects	6,022	1,498	4,524
Total	\$ 286,845	\$ 446,459	\$ (159,614)

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 94,285	\$ 86,503	\$ (7,782)
Special Revenue	168,319	162,812	(5,507)
Capital Projects	1,200	2,156	956
Total	\$ 263,804	\$ 251,471	\$ (12,333)

**LIBERTY TOWNSHIP  
JACKSON COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$ 98,100	\$ 90,151	\$ 7,949
Special Revenue	177,391	163,721	13,670
Capital Projects	6,022	6,022	6,022
Total	\$ 281,513	\$ 253,872	\$ 27,641

Contrary to Ohio Law, the Township did not encumber all commitments during 2001 and 2000. Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sales Tax Funds by \$14,756 (23.8%) and the Federal Emergency Management Agency (FEMA) Fund had no appropriations for the year ended December 31, 2000. During 2001, expenditures exceeded appropriations in the General Fund, Gasoline Tax Fund and the Permissive Sales Tax Fund by \$21,624 (22.04%), \$28,545 (46.04%) and \$128,044 (206.52%) respectively. Also contrary to Ohio law, at December 31, 2001, the Permissive Sale Tax Fund had deficit cash balances of \$20,403.38.

**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, 2001 was as follows:

	Principal	Interest Rate
General Obligation Note (Water Line)	\$ 12,373	5.99%
General Obligation Note (Chip and Seal Project)	5,000	5.49%
Promissory Note (Equipment)	72,000	5.99%
Total	\$ 89,373	

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, 2001 AND 2000  
(Continued)**

**5. DEBT (Continued)**

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

	General		
	General	Obligation Note	Promissory
	Obligation Note	Chip and Seal	Note
	Water Line	Project	Equipment
Year ending December 31:			
2002	\$ 3,177	\$ 6,647	\$ 20,462
2003	3,177		20,462
2004	3,177		20,462
2005	3,177		20,462
2006	605		3,410
Total	<u>\$ 13,313</u>	<u>\$ 6,647</u>	<u>\$ 85,258</u>

**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 2001 and 2000, 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, 2000, and for 2001. For the period July 1, 2000 through December 31, 2000 PERS temporarily reduced the employer's contribution rate to 8.13% of participants gross salaries. The Township has paid all contributions required through December 31, 2001.

**7. 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 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.

**LIBERTY TOWNSHIP  
JACKSON COUNTY**

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

**7. RISK MANAGEMENT (Continued)**

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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.

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>2001</u>	<u>2000</u>
Assets	\$ 23,703,776	\$ 22,684,383
Liabilities	9,379,003	8,924,977
Retained earnings	<u>\$ 14,324,773</u>	<u>\$ 13,759,406</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$ 5,011,131	\$ 4,156,784
Liabilities	647,667	497,831
Retained earnings	<u>\$ 4,363,464</u>	<u>\$ 3,658,953</u>

**8. PRIOR PERIOD RESTATEMENT**

The Permissive Sales Tax Fund was reclassified from Capital Projects Fund to Special Revenue, and the Non-Expendable Trust Fund was reclassified to Special Revenue resulting in the restatement of the January 1, 2000 Fund balances as follows:

	Special Revenue Fund	Capital Project Fund	Non-Expendable Trust Fund
Fund cash balances originally Stated, December 31, 1999	\$15,316	\$3,031	\$424
Prior Period adjustment	<u>3,455</u>	<u>(3,031)</u>	<u>(424)</u>
Restated fund cash balances, January 1, 2000	<u>\$18,771</u>	<u>\$0</u>	<u>\$0</u>



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743 East State Street  
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Athens, Ohio 45701  
Telephone 740-594-3300  
800-441-1389  
Facsimile 740-594-2110  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY 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, 2001 and 2000, and have issued our report thereon dated September 4, 2002. 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 2001-40740-001 through 2001-40740-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated September 4, 2002.

**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 2001-40740-006 through 2001-40740-009.

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 2001-40740-008 and 2001-40740-009 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 September 4, 2002.

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.



**Jim Petro**  
Auditor of State

September 4, 2002

**LIBERTY TOWNSHIP  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

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

**FINDING NUMBER 2001-40740-001**

**Finding for Recovery – Repaid Under Audit**

Ohio Rev. Code § 505.24, provides for the salaries to be paid to township trustees. During testing of the 2000 and 2001 Public Officials Compensation, it was determined that James C. Wright, a former Board of Trustee, was appointed on April 15, 2000 and his salary should have been prorated for the portion of the month that he was in office, therefore he should have been paid \$311.20 resulting in an overpayment of \$272.30. Mr. Wright resigned on June 9, 2001 and his salary should have been prorated for the portion of the month he was in office, therefore he should have been paid \$180.30 resulting in an overpayment of \$420.70. The total overpayment made to Mr. Wright for 2000 and 2001 was \$693.00.

2000 Calculated Daily Rate \$583.50/30 days		\$ 19.45
Calaulated Salary from April 15th through 30th 2000		311.20
Actual Amount paid for April 2000		583.50
Total Overpayment for 2000		\$ (272.30)
2001 Calculated Daily Rate \$601.00/30 days		\$ 20.03
Calculated Salary from June 1st through 9th 2001		180.30
Actual Amount paid for June 2001		601.00
Total Overpayment for 2000		\$ (420.70)
Total Overpayment for 2000 and 2001		\$ (693.00)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for money illegally expended is hereby issued against James C. Wright, former Board of Trustee, and The Ohio Casualty Insurance Company, his bonding company and, Karen S. Markham, Township Clerk, and Ohio Township Association Risk Management Authority, her bonding company, jointly and severally, in the amount of six hundred ninety-three dollars (\$693), in favor of the Liberty Township’s Motor Vehicle License Tax Fund. David Stevens, current Board of Trustee, repaid the \$693 on behalf of James C. Wright back to the Township on September 4, 2002. This payment was recorded duplicate receipt number 76-02.

**FINDING NUMBER 2001-40740-002**

**Finding for Recovery**

Ohio Rev. Code §9.39 states all “public officials are liable for all public money received or collected by them or by their subordinates under color of office.” Liberty Township sold gravel to local residents and the former Liberty Township Clerk issued receipts for gravel and other miscellaneous fees. Totals on the receipts were \$672.75 more than deposits made to the Township’s bank account.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Anna Mary Wilson, former Township Clerk, and Ohio Casualty Insurance Company, her bonding company, jointly and severally, in the amount of six hundred seventy-two dollars and seventy-five cents (\$672.75), and in favor of the Township’s Gasoline Fund.

**LIBERTY TOWNSHIP  
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2001-40740-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10 provides that money paid into a fund must be used only for the purpose for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

A review of fund balances indicated the Permissive Sales Tax Fund had negative fund balances of \$20,403.38 in 2001.

We recommend the Board of Trustees and Township Clerk review the types of expenditures being made from the Permissive Sales Tax Fund to determine if some of those items could have been paid from other funds. Also we recommend the Township refrain from making unnecessary purchases from the Permissive Sales Tax Fund until the balance is no longer negative.

**FINDING NUMBER 2001-40740-004**

**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 2000, expenditures exceeded appropriations in the Permissive Sales Tax Fund by \$14,756 (23.8%) and the Federal Emergency Management Agency (FEMA) Fund by \$515 for which there were no appropriations. During 2001, expenditures exceeded appropriations in the General Fund, Gasoline Tax Fund and the Permissive Sales Tax Fund by \$39,624 (40.39%), \$28,545 (46.04%) and \$116,044 (187.17%) respectively. This was a contributing factor to the negative fund balances in the General and Permissive Sales Tax Funds.

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 2001-40740-005**

**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 PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

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

**FINDING NUMBER 2001-40740-005 (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 77% 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 2001-40740-006**

**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, 2001 AND 2000

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

**FINDING NUMBER 2001-40740-007**

**Reportable Condition**

During our test of receipts it was noted the Township Clerk posted most receipts 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 2001-40740-008**

**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 PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000

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

**FINDING NUMBER 2001-40740-009**

**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, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-40740-001	Ohio Rev. Code Section 117.38, not filing financial report timely.	Corrected.	N/A
1999-40740-002	Ohio Rev. Code Section 5705.10 improper use of funds.	Not Corrected.	Citation was re-issued in 2000-2001 in the audit report as finding number 2001-40740-003
1999-40740-003	Ohio Rev. Code Section 5705.41(B) making disbursements without proper appropriation.	Not Corrected.	Citation was re-issued in 2000-2001 in the audit report as finding number 2001-40740-004
1999-40740-004	Ohio Rev. Code Section 5705.41(D) expended funds prior to obtaining certification of the availability of funds from Township Clerk.	Not Corrected.	Citation was re-issued in 2000-2001 in the audit report as finding number 2001-40740-005
1999-40740-005	26 U.S.C. Section 3102(a) improper calculation and remittance of Medicare withholdings.	Corrected.	N/A
1999-40740-006	26 U.S.C. Section 3402 improper income tax withholding remittances.	Corrected.	N/A
1999-40740-007	Incomplete voucher preparation.	Corrected.	N/A
1999-40740-008	Ohio Admin. Code Section 117-3-08 not maintaining cashbook.	Corrected.	N/A
1999-40740-009	Ohio Admin. Code Section 117-3-09 not maintaining a receipts ledger.	Corrected.	N/A
1999-40740-010	Ohio Admin. Code Section 117-3-11 not maintaining an appropriation ledger.	Corrected	N/A
1999-40740-011	Monitoring by Financial records by the Board of Trustees	Not Corrected	Condition was re-issued in 2000-2001 in the audit report as finding number 2001-40740-008
1999-40740-012	Township Clerk had not reconciled with the depository since last audit period.	Partially Corrected	Condition was re-issued in 2000-2001 in the audit report as finding number 2001-40740-006.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**

**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  
DECEMBER 3, 2002**