



**Auditor of State
Betty Montgomery**

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	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, 2002.....	3
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.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	17

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Liberty Township
Delaware County
7201 Liberty Road
Powell, Ohio 43065

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Delaware County, Ohio, (the Township) as of and for the years ended December 31, 2002, and December 31, 2001. 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 and reserves for encumbrances of the Township, as of December 31, 2002, and December 31, 2001, 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 May 1, 2003, 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.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Liberty Township
Delaware County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of 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

May 1, 2003

**LIBERTY TOWNSHIP
DELAWARE 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>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:						
Local Taxes	\$588,536	\$3,127,643	\$422,922	\$0	\$0	\$4,139,101
Intergovernmental	431,752	449,405	52,372	0	0	933,529
Licenses, Permits, and Fees	218,936	5,643	0	0	0	224,579
Earnings on Investments	88,352	859	1,750	2,210	119	93,290
Other Revenue	149,134	98,016	0	0	0	247,150
Total Cash Receipts	1,476,710	3,681,566	477,044	2,210	119	5,637,649
Cash Disbursements:						
Current:						
General Government	1,591,118	0	7,054	0	0	1,598,172
Public Safety	0	2,018,833	0	0	0	2,018,833
Public Works	0	579,376	0	0	0	579,376
Health	2,780	0	0	0	0	2,780
Conservation - Recreation	153,997	0	0	0	0	153,997
Debt Service:						
Redemption of Principal	0	0	135,000	0	0	135,000
Interest and Fiscal Charges	0	0	332,016	0	0	332,016
Capital Outlay	65,875	42,653	0	181,394	0	289,922
Total Cash Disbursements	1,813,770	2,640,862	474,070	181,394	0	5,110,096
Total Receipts Over/(Under) Disbursements	(337,060)	1,040,704	2,974	(179,184)	119	527,553
Other Financing Receipts and (Disbursements):						
Other Sources	61,425	0	10	347,769	0	409,204
Total Other Financing Receipts/(Disbursements)	61,425	0	10	347,769	0	409,204
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(275,635)	1,040,704	2,984	168,585	119	936,757
Fund Cash Balances, January 1	1,630,702	2,491,640	29,777	196,317	6,192	4,354,628
Fund Cash Balances, December 31	\$1,355,067	\$3,532,344	\$32,761	\$364,902	\$6,311	\$5,291,385
Reserve for Encumbrances, December 31	\$85,677	\$41,096	\$0	\$30,728	\$0	\$157,501

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

**LIBERTY TOWNSHIP
DELAWARE 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>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:						
Local Taxes	\$523,190	\$2,816,770	\$186,029	\$0	\$0	\$3,525,989
Intergovernmental	814,938	424,379	23,328	0	0	1,262,645
Licenses, Permits, and Fees	197,134	21,385	0	0	0	218,519
Earnings on Investments	139,390	419	13,596	135,715	240	289,360
Other Revenue	129,324	71,525	0	0	0	200,849
Total Cash Receipts	1,803,976	3,334,478	222,953	135,715	240	5,497,362
Cash Disbursements:						
Current:						
General Government	1,076,644	0	2,830	0	0	1,079,474
Public Safety	0	1,688,855	0	0	0	1,688,855
Public Works	45,689	575,695	0	0	0	621,384
Health	6,655	0	0	0	0	6,655
Conservation - Recreation	156,499	0	0	0	0	156,499
Debt Service:						
Redemption of Principal	0	0	130,000	0	0	130,000
Interest and Fiscal Charges	0	0	339,028	0	0	339,028
Capital Outlay	50,099	145,003	0	5,236,007	127	5,431,236
Total Cash Disbursements	1,335,586	2,409,553	471,858	5,236,007	127	9,453,131
Total Receipts Over/(Under) Disbursements	468,390	924,925	(248,905)	(5,100,292)	113	(3,955,769)
Other Financing Receipts and (Disbursements):						
Transfers-In	0	105,000	0	279,250	0	384,250
Transfers-Out	(384,250)	0	0	0	0	(384,250)
Other Sources	33,065	0	0	450	0	33,515
Total Other Financing Receipts/(Disbursements)	(351,185)	105,000	0	279,700	0	33,515
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	117,205	1,029,925	(248,905)	(4,820,592)	113	(3,922,254)
Fund Cash Balances, January 1	1,513,497	1,461,715	278,682	5,016,909	6,079	8,276,882
Fund Cash Balances, December 31	\$1,630,702	\$2,491,640	\$29,777	\$196,317	\$6,192	\$4,354,628
Reserve for Encumbrances, December 31	\$75,804	\$13,402	\$0	\$111,913	\$0	\$201,119

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

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Liberty Township, Delaware County, Ohio (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 services, including road and bridge maintenance, cemetery maintenance, 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.

The investment in STAR Ohio (the State Treasurer's investment pool) is recorded at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund 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
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire Levy Fund - This fund receives taxes levied to provide fire protection to the Township.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bond indebtedness. The Township had the following significant Debt Service Fund:

Bond Retirement Fund - This fund receives taxes levied to pay bond indebtedness related to the recreation center.

4. Capital Projects Fund

This fund is 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 Project Fund:

Recreation Center Fund – This fund received bond proceeds for the construction of a recreation center for the Township.

5. Fiduciary Funds (Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary funds:

Park Fund – This expendable trust fund receives donations and interest for park improvements.

AMOS Trust Fund – This expendable trust fund receives donations and interest for maintenance of the park and flowerbed.

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. Unencumbered appropriations lapse at year end.

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(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 reappropriated.

A summary of 2002 and 2001 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 investments 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:

	2002	2001
Demand deposits	\$300,485	(\$38,561)
Total deposits	300,485	(38,561)
STAR Ohio	4,990,900	4,393,189
Total investments	4,990,900	4,393,189
Total deposits and investments	\$5,291,385	\$4,354,628

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institutions public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,099,729	\$1,538,135	\$438,406
Special Revenue	3,306,607	3,681,566	374,959
Debt Service	217,285	477,054	259,769
Capital Projects	0	349,979	349,979
Fiduciary	511	119	(392)
Total	\$4,624,132	\$6,046,853	\$1,422,721

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$75,804	\$1,899,447	(\$1,823,643)
Special Revenue	13,402	2,681,958	(2,668,556)
Debt Service	0	474,070	(474,070)
Capital Projects	111,913	212,122	(100,209)
Fiduciary	0	0	0
Total	\$201,119	\$5,267,597	(\$5,066,478)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$965,501	\$1,837,041	\$871,540
Special Revenue	3,260,555	3,439,478	178,923
Debt Service	221,220	222,953	1,733
Capital Projects	0	415,415	415,415
Fiduciary	572	240	(332)
Total	\$4,447,848	\$5,915,127	\$1,467,279

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,531,169	\$1,795,640	\$735,529
Special Revenue	2,213,676	2,422,955	(209,279)
Debt Service	779,964	471,858	308,106
Capital Projects	7,308,639	5,347,920	1,960,719
Fiduciary	6,351	127	6,224
Total	\$12,839,799	\$10,038,500	\$2,801,299

Budgetary expenditures exceeded appropriations in the Fire Fund by \$246,615 for 2001 and in the General Fund by \$1,823,643, Motor Vehicle License Fund by \$5,847, Gas Tax Fund by \$1,226, Road and Bridge Fund by \$531,930, Fire Fund by \$2,087,633, Permissive Motor Vehicle License Tax Fund by \$41,920, Debt Service Fund by \$474,070, and the Capital Projects Fund by \$100,209 for 2002.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, 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. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
General Obligation Bonds	6,034,984	Variable
Total	\$6,034,984	

The general obligation bonds were issued to finance the construction of a Community Recreation Center. The bonds are collateralized solely by the Township's taxing authority.

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

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

	General Obligation Bonds
Year ending December 31:	
2003	\$467,030
2004	470,380
2005	468,180
2006	465,663
2007	467,822
2008 - 2012	2,338,877
2013 - 2017	2,338,449
2018 - 2022	2,333,781
2023 - 2027	2,338,469
Total	\$11,688,651

6. 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 2002 and 2001, 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. The Township has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

A. Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT (Continued)

A. Risk Pool Membership (Continued)

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

B. Employee Benefits

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

8. RELATED PARTY TRANSACTIONS

The Township entered into general obligation voted debt for \$6,299,643 of bonds for the construction of a community center building which is leased to the YMCA of Central Ohio for \$1 a year. The YMCA has furnished the building and is responsible for building maintenance under the lease which runs for a term of 27 years that commenced July 13, 2001. Residents of Liberty Township receive a 10% discount on membership to the YMCA. In 2002, the YMCA gave the Township \$347,769 to help finance the construction of an outdoor pool at the community center building.

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Liberty Township
Delaware County
7201 Liberty Road
Powell, Ohio 43065

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Delaware County, Ohio, (the Township) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated May 1, 2003. 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 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 1, 2003.

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 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 2002-002 and 2002-003.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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, we believe neither of the reportable conditions described above are 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 May 1, 2003.

This report is intended solely for the information and use of management and the Board of Trustees, 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

May 1, 2003

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

Expenditures exceeded appropriations in the following funds:

2001:

Fund	Appropriation Authority	Budgetary Expenditures	Variance
Fire Fund	\$1,594,823	\$1,841,438	-\$246,615

2002:

General Fund	\$75,804	\$1,899,447	-\$1,823,643
Motor Vehicle License Fund	-	5,847	(5,847)
Gas Tax Fund	-	1,226	(1,226)
Road and Bridge Fund	-	531,930	(531,930)
Fire Fund	13,402	2,101,035	(2,087,633)
Permissive Motor Vehicle License Tax Fund	-	41,920	(41,920)
Debt Service Fund	-	474,070	(474,070)
Capital Projects Fund	111,913	212,122	(100,209)

We recommend the Township ensure that expenditures do not exceed appropriations at any time during the year or at year end. If appropriations are insufficient, the Clerk should submit a request for amended appropriations to the Trustees for their consideration, which upon approval, should be submitted to the County Auditor for certification. The Township had adequate resources to appropriate.

FINDING NUMBER 2002-002

Reconciliation and Timely Posting

The Township should post all transactions on a timely basis and reconcile all cash balances on the Township's Uniform Accounting Network (UAN) system to the bank account balances held by the Township at the end of each month.

The Township misposted several receipt and expenditure transactions to the UAN system, often on an untimely basis, throughout fiscal years 2001 and 2002. As a result, the Township could not reconcile its UAN system generated fund balances to its month ending bank balances.

**LIBERTY TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

**FINDING NUMBER 2002-002
(Continued)**

Reconciliation and Timely Posting (Continued)

The UAN system's built in safeguards to help ensure compliance with Ohio Budgetary laws cannot be effectively utilized with incorrect or untimely updated system balances. Unreconciled balances also prevent the Township's financial management from identifying possible errors, misstatements, non-compliance with laws and regulations, or theft on a timely basis. Unreconciled balances further prevent management from being able to properly monitor the financial position of the Township.

We recommend that the UAN system cash balance be reconciled to the Township's bank statements each month, and that monthly UAN reports, including the expenditure and receipts journals, be compared to activity on the bank statement to aid in identifying any discrepancies. Any discrepancies noted should be recorded in the UAN accounting system immediately.

We further recommend that the Township's management continue to review all monthly reconciliations and become actively involved in the reconciliation process, in order to assure that all transactions are correctly posted on a timely basis and that the Township's bank accounts balance to the UAN accounting system.

FINDING NUMBER 2002-003

Monitoring Controls

The Township Trustees should monitor the financial operations of the Township regularly. Such monitoring should include, for example, a review of resources received, funds expended, and current fund balances.

Effective monitoring controls over financial operations were not implemented by the Township's management. Lack of effective monitoring controls could allow for errors to occur without timely detection by management.

Monitoring controls should be comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved, including operational, legal compliance, and financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes of unexpected results, and take corrective action, if necessary.

To assist management in detecting potential material financial and or compliance transactions that may effect financial operations, we recommend the Township Trustees develop and implement monitoring controls. Some of these monitoring controls may consist of, but may not be limited to, the following:

- Regular review of monthly budgeted and actual figures;
- Regular review of financial summaries (detailed revenue, expenditure, and fund balance reports)
- Review of key performance indicators;
- Review of unusual or significant and long outstanding items; and
- Review of contract expenditures to ensure they are in accordance with approved contracts.

LIBERTY TOWNSHIP
DELAWARE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40621-001	ORC 5705.41(B)	No	Not Corrected; Reissued
2000-40621-002	Reconciliation and Timely Posting	No	Not Corrected; Reissued



**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

DELAWARE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 5, 2003**