

***LIBERTY TOWNSHIP
GUERNSEY COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Board of Trustees
Liberty Township, Guernsey County
71149 Old 21 Road
Kimbolton, Ohio 43749

We have reviewed the *Report of Independent Accountants* of Liberty Township, Guernsey County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 to December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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, Guernsey 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

December 21, 2005

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**LIBERTY TOWNSHIP
GUERNSEY COUNTY
For the Years Ending December 31, 2004 and 2003**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Report of Independent Accountants	1-2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types, For the Year Ended December 31, 2004	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types, For the Year Ended December 31, 2003	4
Notes to the Financial Statements	5-11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i>	12-13
Schedule of Prior Audit Findings	14

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees
Liberty Township, Guernsey County
Kimbolton, Ohio

We have audited the accompanying financial statements of Liberty Township, Guernsey County, Ohio as and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Liberty Township, Guernsey County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
October 23, 2005

LIBERTY TOWNSHIP
 GUERNSEY COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
 FUND CASH BALANCES- ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>			<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
Receipts:				
Property Taxes and Other Local Taxes	\$ 41,337	\$ 37,729	-	\$ 79,066
Intergovernmental	8,222	95,465	\$ 12,000	115,687
Other	449	9,711	-	10,160
Total Receipts	<u>50,008</u>	<u>142,905</u>	<u>12,000</u>	<u>204,913</u>
Disbursements:				
General Government	25,918	-	-	25,918
Public Safety	-	12,568	-	12,568
Public Health Services	160	-	-	160
Public Works	637	103,979	-	104,616
Debt Service:				
Principal	-	-	10,000	10,000
Interest	-	-	2,758	2,758
Total Disbursements	<u>26,715</u>	<u>116,547</u>	<u>12,758</u>	<u>156,020</u>
Receipts Over/(Under) Disbursements	23,293	26,358	(758)	48,893
Fund Balance 1/1/2004	<u>4,872</u>	<u>26,795</u>	<u>12,908</u>	<u>44,575</u>
Fund Balance 12/31/2004	<u>\$ 28,165</u>	<u>\$ 53,153</u>	<u>\$ 12,150</u>	<u>\$ 93,468</u>

See accompanying Notes to the Financial Statements.

LIBERTY TOWNSHIP
 GUERNSEY 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

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Debt Service	Total
Receipts:				
Property Taxes and Other Local Taxes	\$ 12,060	\$ 20,801	\$ -	\$ 32,861
Intergovernmental	7,715	73,434	12,750	93,899
Other	222	1,875	-	2,097
Total Receipts	19,997	96,110	12,750	128,857
Disbursements:				
General Government	16,716	-	-	16,716
Public Safety	-	13,738	-	13,738
Public Health Services	164	-	-	164
Public Works	639	82,717	-	83,356
Debt Service				
Principal	-	-	10,000	10,000
Interest	-	-	3,312	3,312
Total Disbursements	17,519	96,455	13,312	127,286
Receipts over(under) disbursements	2,478	(345)	(562)	1,571
Fund Balance 1/1/2003	2,394	27,140	13,470	43,004
Fund Balance 12/31/2003	<u>\$ 4,872</u>	<u>\$ 26,795</u>	<u>\$ 12,908</u>	<u>\$ 44,575</u>

See accompanying Notes to the Financial Statements.

LIBERTY TOWNSHIP
GUERNSEY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Liberty Township, (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by three publicly-elected Trustees. The Township provides road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with the Liberty Community Fire Department to provide fire services.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Investments are included in the fund cash balances. Accordingly, purchase of investments, are not recorded as disbursement, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipt or disbursements, respectively.

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

LIBERTY TOWNSHIP
GUERNSEY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING- (Continued)

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Township had the following significant Special Revenue Funds:

- Gasoline Tax Fund – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.
- Road and Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing roads and bridges.

Debt Service Fund: The debt service fund is used to account for proceeds restricted to debt service principal and interest. The Township had the following significant Debt Service Fund:

- Grader Note Retirement Fund – This fund was established to service the debt incurred from the purchase of a road grader.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The certificate is approved by the county budget commission and sent to the Township Clerk by September 1.

LIBERTY TOWNSHIP
GUERNSEY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue. The amounts reported in the budgetary footnote reflect the amounts in the final amended certificates issued during 2003 and 2004.

Budget receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2003 and 2004. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the fund level.

**LIBERTY TOWNSHIP
GUERNSEY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

A summary of budgetary activity appears in Note 4.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2004</u>	<u>2003</u>
Demand Deposits	<u>\$ 93,468</u>	<u>\$ 44,575</u>

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

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as Intergovernmental Receipts.

LIBERTY TOWNSHIP
GUERNSEY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

3. PROPERTY TAX – (Continued)

Public utilities are also taxed on personal and real property located within the Township.

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The Guernsey County Treasurer collects property tax on behalf of all taxing Townships within the county. The Guernsey County Auditor periodically remits to the taxing Township their portions of the taxes collected.

4. BUDGETARY

Budgetary activity for the years ended December 31, 2004 and 2003 follows:

<u>2004 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General Fund	\$ 43,818	\$ 50,008	\$ 6,190
Special Revenue Fund	118,810	142,905	24,095
Debt Service	12,000	12,000	-0-

<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General Fund	\$ 48,690	\$ 26,715	\$ 21,975
Special Revenue	145,605	116,547	29,058
Debt Service	24,908	12,758	12,150

<u>2003 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General Fund	\$ 15,803	\$ 19,997	\$ 4,194
Special Revenue	81,945	96,110	14,165
Debt Service	12,750	12,750	-0-

<u>2003 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General Fund	\$ 18,194	\$ 17,519	\$ 675
Special Revenue	108,082	96,455	11,627
Debt Service	26,220	13,312	12,908

LIBERTY TOWNSHIP
GUERNSEY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	<u>\$40,000</u>	5.50%

During 1999, general obligation notes were issued to finance the purchase of a grader to be used for Township road maintenance. The notes are collateralized solely by the Township's taxing authority.

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

	<u>General Obligation Notes</u>
Year ending December 31:	
2005	\$12,200
2006	11,650
2007	11,100
2008	<u>10,550</u>
Total	<u>\$45,500</u>

6. RETIREMENT SYSTEMS

The Township employees belong to the Ohio Public Employment Employees Retirement System (OPERS). OPERS 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.

The Ohio Revised Code provides statutory authority for employee and employer contributions. OPERS participants contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of their wages. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

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.

**LIBERTY TOWNSHIP
GUERNSEY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

7. RISK MANAGEMENT – (Continued)

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's 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. 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.

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 (latest information available):

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained Earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 7,799,073	\$ 6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained Earnings	<u>\$ 7,045,167</u>	<u>\$ 6,040,104</u>

8. Contingent Liabilities/Subsequent Events

Management believes there are no pending claims or lawsuits.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Liberty Township, Guernsey County
Kimbolton, Ohio

We have audited the financial statements of Liberty Township, Guernsey County, Ohio (Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 23, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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. We noted no matter involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 October 23, 2005.

Compliance and Other Matters

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, grant agreements, and other matters 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated October 23, 2005.

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

Charles E. Harris and Associates, Inc.
October 23, 2005

LIBERTY TOWNSHIP
GUERNSEY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2002-001	Contrary to Ohio Rev. Code Section 5705.41 (D) the township failed to properly certify availability of funds.	NO	Partially corrected; Included as a management letter noncompliance citation.



**Auditor of State
Betty Montgomery**

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LIBERTY TOWNSHIP

GUERNSEY 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 30, 2005**