



**LIBERTY TOWNSHIP  
JACKSON COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998**



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

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**STATE OF OHIO**



LIBERTY TOWNSHIP  
JACKSON COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Liberty Township  
Jackson County  
14378 Beaver Pike Road  
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, 1999 and 1998. 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 generally accepted auditing standards 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, 1999 and 1998, 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 November 9, 2000 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.

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

**Jim Petro**  
Auditor of State

November 9, 2000

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**LIBERTY TOWNSHIP  
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<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	\$35,833	\$15,771	\$74,654	\$126,258
Intergovernmental	32,575	69,460		102,035
Earnings on Investments	432	364		796
Other Revenue	326	27,175		27,501
	<u>69,166</u>	<u>112,770</u>	<u>74,654</u>	<u>256,590</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	65,792			65,792
Public Works		78,982	58,952	137,934
Public Safety		31,989		31,989
Capital Outlay	3,126	6,403		9,529
Debt Service			22,131	22,131
	<u>68,918</u>	<u>117,374</u>	<u>81,083</u>	<u>267,375</u>
Excess of Receipts Over/(Under) Disbursements	<u>248</u>	<u>(4,604)</u>	<u>(6,429)</u>	<u>(10,785)</u>
<b>Other Financing Sources/(Uses):</b>				
Advances-In			3,212	3,212
Advances-Out	<u>(3,212)</u>			<u>(3,212)</u>
Total Other Financing Sources/(Uses)	<u>(3,212)</u>		<u>3,212</u>	
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	<u>(2,964)</u>	<u>(4,604)</u>	<u>(3,217)</u>	<u>(10,785)</u>
Fund Cash Balances, January 1	<u>28,557</u>	<u>19,920</u>	<u>6,248</u>	<u>54,725</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$25,593</u></b>	<b><u>\$15,316</u></b>	<b><u>\$3,031</u></b>	<b><u>\$43,940</u></b>

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

LIBERTY TOWNSHIP  
JACKSON COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND CASH BALANCE  
NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Nonexpendable Trust</u>
Fund Cash Balance, January 1	<u>\$424</u>
<b>Fund Cash Balance, December 31</b>	<b><u><u>\$424</u></u></b>

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



**LIBERTY TOWNSHIP  
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<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	\$31,916	\$11,916	\$68,970	\$112,802
Intergovernmental	32,056	65,780		97,836
Earnings on Investments	485	354		839
Other Revenue	14,792	18,118	5,000	37,910
	<u>79,249</u>	<u>96,168</u>	<u>73,970</u>	<u>249,387</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	64,265			64,265
Public Works		65,387	145,224	210,611
Public Safety		13,106		13,106
Capital Outlay		63,303	25,501	88,804
Debt Service		5,659	67,278	72,937
	<u>64,265</u>	<u>147,455</u>	<u>238,003</u>	<u>449,723</u>
Excess of Receipts Over/(Under) Disbursements	<u>14,984</u>	<u>(51,287)</u>	<u>(164,033)</u>	<u>(200,336)</u>
<b>Other Financing Sources/(Uses):</b>				
Proceeds from Sale of Public Debt:				
Sale of Notes		59,611	140,251	199,862
Advances-In			250	250
Advances-Out	(250)			(250)
	<u>(250)</u>	<u>59,611</u>	<u>140,501</u>	<u>199,862</u>
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	14,734	8,324	(23,532)	(474)
Fund Cash Balances, January 1	(9,042)	11,596	29,780	32,334
Prior Period Adjustment (See Note 8)	<u>22,865</u>			<u>22,865</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$28,557</b></u>	<u><b>\$19,920</b></u>	<u><b>\$6,248</b></u>	<u><b>\$54,725</b></u>

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

LIBERTY TOWNSHIP  
JACKSON COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND CASH BALANCE  
NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 1998

	Nonexpendable Trust
Fund Cash Balance, January 1	<u>\$424</u>
<b>Fund Cash Balance, December 31</b>	<u><u>\$424</u></u>

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

**LIBERTY TOWNSHIP  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**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 maintenance of roads, fire protection and cemeteries.

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.

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 and no investments for the period January 1, 1998 through December 31, 1999.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash that is 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 Fund:

Gasoline Tax Fund - This fund received gasoline tax money to construct, maintain and repair Township roads.

**LIBERTY TOWNSHIP  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting**

**3. Capital Project Funds**

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

Sales Tax Fund - This fund received sales tax monies to accumulate resources for future major capital purchases.

**3. Fiduciary Fund (Trust Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreements require the Township to maintain the corpus of the trust, the funds are classified as Nonexpendable Trust Funds. Other funds are classified as Expendable. The Township had the following Fiduciary Fund:

Cemetery Bequest Fund - This Nonexpendable Trust Fund received only the interest earned on the donated money held in trust by the Township for the upkeep of the cemeteries.

**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 beginning of the year cash fund balances. 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 use the encumbrance method of accounting.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**LIBERTY TOWNSHIP  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**2. EQUITY IN POOLED CASH**

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

	<u>1999</u>	<u>1998</u>
Demand Deposits	<u>\$44,364</u>	<u>\$55,149</u>

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,626	\$69,166	(\$22,460)
Special Revenue	98,845	112,770	13,925
Capital Projects	56,582	77,866	21,284
Nonexpendable Trust	76	0	(76)
Total	<u>\$247,129</u>	<u>\$259,802</u>	<u>\$12,673</u>

1999 Budgeted vs. Actual Disbursements			
Fund Type	Appropriation Authority	Actual Disbursements	Variance
General	\$98,100	\$72,130	\$25,970
Special Revenue	114,891	117,374	(2,483)
Capital Projects	62,000	81,083	(19,083)
Nonexpendable Trust	500	0	500
Total	<u>\$275,491</u>	<u>\$270,587</u>	<u>\$4,904</u>

**LIBERTY TOWNSHIP  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**3. BUDGETARY ACTIVITY (Continued)**

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$95,022	\$79,249	(\$15,773)
Special Revenue	90,641	155,779	65,138
Capital Projects	30,918	214,471	183,553
Nonexpendable Trust	76	0	(76)
Total	\$216,657	\$449,499	\$232,842

1998 Budgeted vs. Actual Disbursements			
Fund Type	Appropriation Authority	Actual Disbursements	Variance
General	\$95,361	\$64,515	\$30,846
Special Revenue	104,411	147,455	(43,044)
Capital Projects	60,973	238,003	(177,030)
Nonexpendable Trust	500	0	500
Total	\$261,245	\$449,973	(\$188,728)

**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.

**LIBERTY TOWNSHIP  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**5. DEBT**

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$125,888	5.99%

The Township issued a \$20,251 general obligation note for a waterline extension on September 14, 1998 and a \$120,000 general obligation note for equipment on December 12, 1998. The notes are collateralized solely by the Township's taxing authority.

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

Year ending December 31:	Debt
2000	\$22,096
2001	22,096
2002	22,096
2003	22,096
2004	22,096
Subsequent	41,027
Total	\$151,507

**6. RETIREMENT SYSTEMS**

The Township's employees, as well as the Clerk and Trustees, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement 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 1999 and 1998, 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, 1999.

**7. RISK MANAGEMENT**

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA). The OTARMA assumes the risk of loss up to the limits of the Township's policy. The OTARMA may assess supplemental premiums. The following risks are covered by the OTARMA:

- General property and liability
- Wrongful acts
- Vehicles

The Township has secured public official's bonds through a private carrier.

The Township provides medical insurance to the full-time employee through a private carrier.

**LIBERTY TOWNSHIP  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**8. PRIOR PERIOD ADJUSTMENT**

A records reconstruction was performed for the Township. In this reconstruction, several checks outstanding prior to December 31, 1997 were determined to have been written but never mailed by the former Clerk. Many of the checks were subsequently replaced when the Township was billed in later months. As a result, the January 1, 1998 General Fund Balance was increased by \$22,865.





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Liberty Township  
Jackson County  
14378 Beaver Pike Road  
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, 1999 and 1998, and have issued our report thereon dated November 9, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 Liberty 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-40740-001 through 1999-40740-006 and 1999-40740-008 through 1999-40740-010. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated November 9, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Liberty 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 judgement, 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 1999-40740-007 through 1999-40740-012.

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 misstatement 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 1999-40740-008, 1999-40740-009, 1999-40740-010 and 1999-40740-012 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 the management of the Township in separate letter dated November 9, 2000.

This report is intended 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.

**Jim Petro**  
Auditor of State

November 9, 2000

LIBERTY TOWNSHIP  
JACKSON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998

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

<b>Finding Number</b>	<b>1999-40740-001</b>
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**Noncompliance Citation**

Ohio Rev. Code Section 117.38 requires the Clerk to sign, date and file an annual financial report with the Auditor of State within 60 days after the close of the fiscal year, and to publish the report.

The Clerk did not file an annual financial report with the Auditor of State within 60 days after the close of the fiscal year for 1998 or 1999. Also, no documentation was provided to prove that the 1999 annual financial report was published.

We recommend the Township Clerk sign, date and file an annual financial report with the Auditor of State within 60 days after the close of the fiscal year, and to publish the report.

<b>Finding Number</b>	<b>1999-40740-002</b>
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**Noncompliance Citation**

Ohio Rev. Code Section 5705.10 provides that money paid into any fund shall be used only for the purposes for which such fund is established.

In 1999, the Sales Tax and Water Line Funds had negative balances in the amounts of \$3,072 and \$3,463, respectively. In 1998, the Water Line Fund had a negative balance of \$250. This indicates money from other funds were used pay for these funds' expenditures.

We recommend the Clerk certify that funds are available prior to making a disbursement. We further recommend the Township Trustees do not authorize a disbursement from a fund with a negative balance.

<b>Finding Number</b>	<b>1999-40740-003</b>
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**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated.

In 1999, the Fire, Gasoline Tax, and Sales Tax Funds had disbursements that exceeded total appropriations by \$742 (4%), \$7,358 (12%), and \$15,807 (24%), respectively. Additionally, there were \$10,370 in expenditures from the FEMA Fund and \$3,213 in expenditures from the Water Line Fund that were not supported by any appropriations.

In 1998, the Gasoline Tax and Sales Tax Funds had disbursements that exceeded total appropriations by \$51,383 (86%) and \$31,530 (51%), respectively. Additionally, there were \$296 in expenditures from the FEMA Fund and \$25,501 in expenditures from the Water Line Fund that were not supported by any appropriations.

We recommend that Township Trustees not approve any disbursement of Township funds that are not supported by appropriations.

LIBERTY TOWNSHIP  
JACKSON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)

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

Finding Number	1999-40740-004
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**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any orders or contracts involving the expenditure of monies unless there is attached thereto a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. Ohio Rev. Code Section 118.07 (B)(2) requires the financial supervisor to approve and monitor the monthly encumbrances.

This section also provides two "exceptions" to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or if such expenditure is otherwise valid; and
2. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without affirmation of the Village Council.

The Clerk did not attach the Clerk's certification of available funds to contracts and orders for expenditure.

We recommend that Township Trustees not approve the expenditure of Township money from any fund that does not have a certificate from the Clerk that there are appropriations available to support the disbursement.

Finding Number	1999-40740-005
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**Noncompliance Citation**

26 U.S.C. Section 3102(a) requires that mandatory Medicare coverage be deducted from the payroll of employees hired after March 31, 1986, and remitted to the Internal Revenue Service.

Although there was evidence that these withholdings were being deducted, they were not calculated properly, and there was no indication that they were remitted to the Internal Revenue Service.

We recommend that the Clerk deduct the mandatory Medicare coverage from employees and elected officials hired after March 31, 1986 and that these amounts be remitted along with the employers share as required. If this is not remedied by the next audit, a referral letter will be sent to the Internal Revenue Service.

LIBERTY TOWNSHIP  
JACKSON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)

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

Finding Number	1999 - 40740-006
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**Noncompliance Citation**

26 U.S.C. Section 3402 provides that an entity must withhold and remit a federal income tax.

Although there was evidence of income tax withholdings, there was no indication that they were remitted to the Internal Revenue Service.

We recommend all income tax withholdings be remitted timely to the Internal Revenue Service. If this is not remedied by the next audit, a referral letter will be sent to the Internal Revenue Service.

Finding Number	1999-40740-007
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**Reportable Condition**

The vouchers presented for audit did not contain any information except the check number and the name of the payee. The Clerk's certification of available revenue, free from previous encumbrance, was not completed and signed. The vouchers were signed by the Township Trustees without supporting documentation attached to the voucher.

We recommend that vouchers be completed with the check number, payee, amount, fund, Clerk's certification and Township Trustee's signature. The supporting documentation for the voucher should also be attached. We further recommend that the Township Trustee's not approve any voucher unless the above mentioned items are attached.

Finding Number	1999-40740-008
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**Noncompliance Citation and Material Weakness**

Ohio Admin. Code Section 117-3-08, requires that:

- (A) Each Township shall record each cash expenditure of Township money and each receipt of Township money in a cash journal;
- (B) At the beginning of each fiscal year, the balance in each fund shall be entered in the "Balance" column under the proper fund heading and the total of such balances entered in the "Balance" column under heading "Cash". The receipt of all moneys shall be entered in chronological order in the "Credit" column of the proper fund and in the "Debit" column of "Cash". A receipt as prescribed in Section 117-3-10 of the Administrative Code shall be issued to each person from whom money is received and the receipt number entered in the cash journal in numerical order. The warrant amount of each warrant issued in payment of an obligation shall be entered in the cash journal in the "Debit" column of the proper fund and in the "Credit" column under the heading of "Cash";
- (C) At the close of each month the "Debit" and "Credit" column shall be ruled off on the same line, totaled, and the totals for the month entered. The year-to-date totals shall be entered on the next line and the columns again ruled off. The difference between the month's debits and credits shall be added to or subtracted from the previous months balance and the new balance entered in the proper column;

**LIBERTY TOWNSHIP  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>1999-40740-008 (Continued)</b>
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(D)The total of all fund balances in the cash journal must reconcile with the cash balances; the total of all fund credits must reconcile with the total cash debit; and the total of all fund debits must reconcile with the cash credit. The cash balance plus outstanding warrants must agree with the depository balance plus un-deposited funds in the hands of the Clerk or in transit to the depository; and  
(E)The date, receipt number, warrant number, purchase order number, and other required information shall be entered in the appropriate column or space provided on the cash journal pages.

The Clerk did not correctly maintain the cash journal. The cash column did not reconcile to the fund columns and the cash balance did not reconcile with the depository balance.

We recommend the Clerk reconcile the fund columns to the cash column in the cash journal and reconcile the cash balance with the depository balance each month.

<b>Finding Number</b>	<b>1999-40740-009</b>
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**Noncompliance Citation and Material Weakness**

Ohio Admin. Code Section 117-3-09 requires that:

- (A) Each Township shall maintain a receipts ledger which shall contain a separate receipt account for each type of receipt, as prescribed in Section 117-3-03 of the Administrative Code. A separate sheet shall be used in the ledger for each receipts account. The name of the fund and account, and the code prescribed for the account, shall be entered on the ledger sheet;
- (B) Each Township Clerk shall post to each receipts account the estimated amount of money anticipated to be received into the account as specified by the County Budget Commission in its official estimate of balance and receipts set forth in the certificate of estimated resources. This estimated amount shall be entered in the "Balance" column under the heading "Memoranda";
- (C) When moneys are received, the amount is to be posted in the cash journal as prescribed in Section 117-3-08 of the Administrative Code and then posted to the proper account in the receipt ledger. In posting, the amount shall be entered in the "Amount Received" column and in the "Credit" column and be subtracted from the budget estimate amount ("balance"). When properly posted, the "Balance" column will accurately show the amount of money still anticipated to be received for the fiscal year;
- (D) At the close of each month, the Township Clerk shall rule off the column entitled "Amount Received" and enter the total for the month. The total year-to-date shall be entered on the next line and the column again shall be ruled off;
- (E) The date, name of the payer, purpose, receipt number, and other information required shall be entered in the appropriated column or space provided on the prescribed receipt ledger page.

The Township Clerk did not maintain a receipt ledger.

We recommend the Township Clerk maintain a receipt ledger.

LIBERTY TOWNSHIP  
JACKSON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)

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

<b>Finding Number</b>	<b>1999 - 40740-010</b>
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**Noncompliance Citation and Material Weakness**

Ohio Admin. Code Section 117-3-11 requires that:

- (A) Each Township shall maintain an appropriation ledger which shall contain a separate account for each type of appropriation, as prescribed in Section 117-3-04 of the Administrative Code. A separate sheet shall be used in the ledger for each account, and the code prescribed for that account, shall be entered on the ledger sheet;
- (B) Each Township shall post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolution(s);
- (C) Each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriated balance producing a declining unencumbered balance. This procedure is to be initialed by an executed purchase order. The name of the vendor or payee as it appears on the purchase order is entered in the "Debit" column and also subtracted from the unencumbered balance. When the invoice is received from the vendor or payee and a warrant is written to meet the obligation, the name of the vendor or payee is again entered and the amount of the warrant is entered in the "Amount of Warrant" column. If the amount encumbered and the amount of the warrant are exactly the same, no other entry is made. However, if the amount entered to the "Debit" column (this is also the same amount subtracted from the unencumbered balance) is different from the amount of the warrant, an adjustment must be made. The amount of the warrant is entered in the "Debit" column, the difference shall be entered in the "Credit" column and added to the unencumbered balance column. If there is a standing order or if the invoice is to be paid at the time the purchase order is written, then the name of the vendor or payee is entered and the amount to be paid is entered in the "Amount of Warrant" column, in the "Debit" column, and subtracted from the unencumbered balance;
- (D) Appropriate columns shall be totaled and reconciled monthly and year-to-date; and
- (E) The date, name, warrant number, purchase order number, and other information required shall be entered in the appropriate column or space provided on the appropriation ledger.

The Township Clerk did not maintain an appropriation ledger.

We recommend the Township Clerk maintain an appropriation ledger.

<b>Finding Number</b>	<b>1999- 40740-011</b>
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**Reportable Condition**

The small size of the Township's staff did not allow for an adequate segregation of duties. The Clerk must perform all accounting functions. It is, therefore, important that the Board of Trustees monitor financial activity closely. The Clerk provides the Board with a list of disbursements, however, the Trustees did not always receive monthly financial reports which could result in the Trustees not monitoring the financial and budgetary activity of the Township.

**LIBERTY TOWNSHIP  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

<b>Finding Number</b>	<b>1999-40740-011 (Continued)</b>
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We recommend the Clerk prepare a monthly bank reconciliation and provide the Trustees a copy of the monthly bank reconciliation for at least a signature approval. Also, we recommend the Clerk provide the 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 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?

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.

<b>Finding Number</b>	<b>1999 - 40740-012</b>
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**Material Weakness**

The Clerk had not reconciled the cash journal with the depository since the prior auditors reconciled the cash journal as of December 31, 1997. This resulted in the Township not having an accurate account of its finances and could create financial problems for the Township.

We recommend the Clerk reconcile the cash journal with the depository each month.



**LIBERTY TOWNSHIP  
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 1999 AND 1998**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1997-40740-001	Ohio Rev. Code Section 117.28 recovery of public money, but not collected.	Partially Corrected	The finding was dissolved due to the ruling that the Fire Department and Rescue Unit were adequately funded.
1997-40740-002	Ohio Rev. Code Section 117.38 not filing a financial report at 1996 year end and not providing proof of publication at 1997 year end.	Not Corrected	The new Clerk is going to take action to correct and prevent the finding from re-occurring.
1997-40740-003	Ohio Rev. Code Section 5705.10 improper use of funds.	Not Corrected	The new Clerk is going to take action to correct and prevent the finding from re-occurring.
1997-40740-004	Ohio Rev. Code Section 5705.41(B) making disbursements without proper appropriation.	Not Corrected	The new Clerk is going to take action to correct and prevent the finding from re-occurring.
1997-40740-005	Ohio Rev. Code Section 5705.41(D) expended funds prior to obtaining certification of the availability of funds from Clerk.	Not Corrected	The new Clerk is going to take action to correct and prevent the finding from re-occurring.
1997-40740-006	Ohio Admin. Code Section 117-3-08 not correctly maintaining fund balances.	Not Corrected	Local Government Services have reconstructed all records. The new Clerk is going to take action to correct and prevent the finding from re-occurring.
1997-40740-007	Ohio Admin. Code Section 117-3-09 not maintaining a receipts ledger.	Not Corrected	The new Clerk is going to take action to correct and prevent the finding from re-occurring.
1997-40740-008	Ohio Admin. Code Section 117-3-11 not maintaining an appropriations ledger	Not Corrected	The new Clerk is going to take action to correct and prevent the finding from re-occurring.

**LIBERTY TOWNSHIP  
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
1997-40740-009	26 U.S.C. Section 3201 not deducting and withholding Social Security from the Clerk's compensation and not participating in the Public Employee's Retirement System.	Fully Corrected	The Clerk has made these deductions this audit period.
1997-40740-010	26 U.S.C. Section 3102(a) no indication that Medicare was remitted to Internal Revenue Service.	Not Corrected	The new Clerk is going to take action to correct and prevent the finding from re-occurring.
1997-40740-011	26 U.S.C. Section 3102(a) no indication that income tax withholdings were remitted to the Internal Revenue Service	Not Corrected	The new Clerk is going to take action to correct and prevent the finding from re-occurring.
1997-40740-012	Clerk had not reconciled the books with the depository since last audit period.	Not Corrected	The new Clerk is going to take action to correct and prevent the finding from re-occurring.
1997-40740-013	Not establishing an Audit Committee	Not Corrected	The new Clerk is going to take action to correct and prevent the finding from re-occurring.
1997-40740-014	Not monitoring financial activity	Not Corrected	The new Clerk is going to take action to correct and prevent the finding from re-occurring.

**LIBERTY TOWNSHIP  
JACKSON COUNTY**

**CORRECTIVE ACTION PLAN  
DECEMBER 31, 1999 AND 1998**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-40740-001	New Clerk will take action to correct the finding and prevent its reoccurrence.	11/00	Karen Markham, Clerk
1999-40740-002	New Clerk will take action to correct the finding and prevent its reoccurrence.	11/00	Karen Markham, Clerk
1999-40740-003	New Clerk will take action to correct the finding and prevent its reoccurrence.	11/00	Karen Markham, Clerk
1999-40740-004	New Clerk will take action to correct the finding and prevent its reoccurrence.	11/00	Karen Markham, Clerk
1999-40740-005	New Clerk will take action to correct the finding and prevent its reoccurrence.	11/00	Karen Markham, Clerk
1999-40740-006	New Clerk will take action to correct the finding and prevent its reoccurrence.	11/00	Karen Markham, Clerk
1999-40740-007	New Clerk will take action to correct the finding and prevent its reoccurrence.	11/00	Karen Markham, Clerk
1999-40740-008	LGS has reconstructed the files. However, the new Clerk needs to maintain the appropriate balances.	11/00	Karen Markham, Clerk
1999-40740-009	New Clerk will take action to correct the finding and prevent its reoccurrence.	11/00	Karen Markham, Clerk
1999-40740-010	New Clerk will take action to correct the finding and prevent its reoccurrence.	11/00	Karen Markham, Clerk
1999-40740-011	New Clerk will take action to correct the finding and prevent its reoccurrence.	11/00	Karen Markham, Clerk
1999-40740-012	New Clerk will take action to correct the finding and prevent its reoccurrence.	11/00	Karen Markham, Clerk





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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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  
NOVEMBER 5, 2000**