



**LIBERTY TOWNSHIP  
CLINTON COUNTY**

**REGULAR AUDIT**

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



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

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Liberty Township  
Clinton County  
P. O. Box 3  
Port William, Ohio 45164

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Clinton 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 the Township 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 March 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 management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

March 9, 2000

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**LIBERTY TOWNSHIP  
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, 1999**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$11,377	\$72,850	\$0	\$0	\$84,227
Intergovernmental	49,495	68,075			117,570
Special Assessments		1,032			1,032
Licenses, Permits, and Fees		6,986			6,986
Earnings on Investments	10,123	3,723		43	13,889
Other Revenue	196	2,200			2,396
<b>Total Cash Receipts</b>	<u>71,191</u>	<u>154,866</u>	<u>0</u>	<u>43</u>	<u>226,100</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	35,848				35,848
Public Safety		50,951			50,951
Public Works	10,000	110,912			120,912
Health		3,160			3,160
Capital Outlay		19,718			19,718
<b>Total Cash Disbursements</b>	<u>45,848</u>	<u>184,741</u>	<u>0</u>	<u>0</u>	<u>230,589</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>25,343</u>	<u>(29,875)</u>	<u>0</u>	<u>43</u>	<u>(4,489)</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In			100,000		100,000
Transfers-Out	(100,000)				(100,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(100,000)</u>	<u>0</u>	<u>100,000</u>	<u>0</u>	<u>0</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(74,657)</u>	<u>(29,875)</u>	<u>100,000</u>	<u>43</u>	<u>(4,489)</u>
<b>Fund Cash Balances, January 1</b>	<u>205,212</u>	<u>144,837</u>		<u>1,480</u>	<u>351,529</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$130,555</b></u>	<u><b>\$114,962</b></u>	<u><b>\$100,000</b></u>	<u><b>\$1,523</b></u>	<u><b>\$347,040</b></u>

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

**LIBERTY TOWNSHIP  
 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, 1998**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$18,325	\$70,824	\$0	\$89,149
Intergovernmental	60,326	69,744		130,070
Special Assessments		1,124		1,124
Licenses, Permits, and Fees		6,501		6,501
Earnings on Investments	5,914	3,032	18	8,964
Other Revenue	2,348	3,550		5,898
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	86,913	154,775	18	241,706
<b>Cash Disbursements:</b>				
Current:				
General Government	33,605			33,605
Public Safety		41,142		41,142
Public Works		73,281		73,281
Health		3,543		3,543
Capital Outlay	979	18,122		19,101
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	34,584	136,088	0	170,672
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	52,329	18,687	18	71,034
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	152,883	126,150	1,462	280,495
<b>Fund Cash Balances, December 31</b>	<hr/>	<hr/>	<hr/>	<hr/>
	<b>\$205,212</b>	<b>\$144,837</b>	<b>\$1,480</b>	<b>\$351,529</b>

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



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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Liberty Township, Clinton County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, and cemetery maintenance. The Township contracts with the Village of Port William to provide fire 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). The Township had no outstanding encumbrances at December 31, 1999 and 1998.

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

**C. Cash and Investments**

The Township funds are deposited in a Now checking account and a Repurchase Agreement with a local commercial bank. The Township pools its deposits to capture the highest rate of return. Interest income is distributed to Township funds based upon the Ohio statutes.

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.

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

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

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

*Fire Fund* - This fund receives proceeds from the levy for providing Township residents with fire protection services.

**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 fund:

*Permanent Improvement Fund* - This fund was established to account for future building projects.

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

This fund is used to account for resources restricted by a legally binding trust agreement . The Township had the following significant fiduciary fund:

*Trust Fund* - This fund is used to account for bequests made for cemetery plots.

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash 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. There were no encumbrances outstanding at December 31, 1999 and 1998.

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

**F. Property, Plant and Equipment**

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

**LIBERTY TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**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:

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$16,341</u>	<u>\$24,012</u>
Total deposits	<u>16,341</u>	<u>24,012</u>
Repurchase Agreement	<u>330,699</u>	<u>327,517</u>
Total investments	<u>330,699</u>	<u>327,517</u>
Total deposits and investments	<u><u>\$347,040</u></u>	<u><u>\$351,529</u></u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**Investments:** The Township maintains a repurchase agreement which is an uninsured and unregistered investment for which the securities are held by the counter party or by its department or agent, but not in the Township's name.

**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	\$21,298	\$71,191	\$49,893
Special Revenue	149,309	154,866	5,557
Capital Projects	-	100,000	100,000
Fiduciary	<u>35</u>	<u>43</u>	<u>8</u>
Total	<u><u>\$170,642</u></u>	<u><u>\$326,100</u></u>	<u><u>\$155,458</u></u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$159,700	\$145,848	\$13,852
Special Revenue	219,800	184,741	35,059
Capital Projects	-	-	-
Fiduciary	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$379,500</u></u>	<u><u>\$330,589</u></u>	<u><u>\$48,911</u></u>

**LIBERTY TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$20,587	\$86,913	\$66,326
Special Revenue	130,659	154,775	24,116
Fiduciary	50	18	(32)
Total	\$151,296	\$241,706	\$90,410

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$88,100	\$34,584	\$53,516
Special Revenue	190,450	136,088	54,362
Fiduciary	-	-	-
Total	\$278,550	\$170,672	\$107,878

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. RETIREMENT SYSTEMS**

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

**LIBERTY TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**6. RISK MANAGEMENT**

The Township is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Real and personal property
- Vehicle

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

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

Liberty Township  
Clinton County  
P. O. Box 3  
Port William, Ohio 45164

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Clinton County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated March 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 the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-40414-001 and 1999-40414-002.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-40414-001 and 1999-40414-002.

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 over financial reporting 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 none of the reportable conditions described above is a material weakness. 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 March 9, 2000.

This report is intended 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, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a horizontal line extending to the right.

**Jim Petro**  
Auditor of State

March 9, 2000



**LIBERTY TOWNSHIP  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1998 AND 1999**

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

**FINDING NUMBER 1999-40414-001**

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation 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 encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for 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, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Of the items tested, 91% of the expenditures and obligations made by the Township were initiated without obtaining the prior certification of the Clerk. Every effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending funds.

**FINDING NUMBER 1999-40414-002**

Ohio Rev. Code, Sections 135.14 and 135.22, provide that a subdivision treasurer may not invest in any instrument other than interim deposits or STAROhio without having an approved written investment policy and have completed annual continuing education. The Township invested in a repurchase agreement without having a written investment policy. Also, the Clerk had not completed the required continuing education.





STATE OF OHIO  
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**LIBERTY TOWNSHIP**

**CLINTON 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  
JUNE 20, 2000**