



**Auditor of State
Betty Montgomery**

LIBERTY TOWNSHIP
HENRY COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Liberty Township
Henry County
S-395 County Road 9
Liberty Center, Ohio 43532-9709

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Henry County, Ohio (the Township) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2003 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 19, 2003

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**LIBERTY TOWNSHIP
HENRY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Cash Receipts:		
Local Taxes	\$37,679	\$64,354
Intergovernmental	15,250	79,791
Charges for Services		9,941
Licenses, Permits, and Fees		1,676
Earnings on Investments	6,276	1,304
Other Revenue	24,567	45,185
	<hr/>	<hr/>
Total Cash Receipts	83,772	202,251
Cash Disbursements:		
Current:		
General Government	91,413	2,584
Public Safety		43,352
Public Works	5,000	99,142
Health		3,603
Conservation - Recreation	19,926	
Debt Service:		
Redemption of Principal		3,677
Interest and Fiscal Charges		1,202
Capital Outlay		17,839
	<hr/>	<hr/>
Total Cash Disbursements	116,339	171,399
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>
	(32,567)	30,852
Other Financing Receipts and (Disbursements):		
Loan proceeds		
Sale of Fixed Assets	15,100	
Transfers-In		5,500
Transfers-Out	(5,500)	
	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	9,600	5,500
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>
	(22,967)	36,352
Fund Cash Balances, January 1	<hr/>	<hr/>
	66,794	244,432
Fund Cash Balances, December 31	<hr/> <hr/>	<hr/> <hr/>
	\$43,827	\$280,784
Reserve for Encumbrances, December 31	<hr/> <hr/>	<hr/> <hr/>
		\$135

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

<u>Governmental Fund Types</u>		<u>Totals</u>
<u>Debt</u>	<u>Capital</u>	<u>(Memorandum</u>
<u>Service</u>	<u>Projects</u>	<u>Only)</u>
\$61,280		\$163,313
4,656	\$53,648	153,345
		9,941
		1,676
		7,580
		69,752
<u>65,936</u>	<u>53,648</u>	<u>405,607</u>
1,278		95,275
		43,352
		104,142
		3,603
		19,926
	7,813	11,490
	2,491	3,693
	750,806	768,645
<u>1,278</u>	<u>761,110</u>	<u>1,050,126</u>
<u>64,658</u>	<u>(707,462)</u>	<u>(644,519)</u>
	661,667	661,667
		15,100
		5,500
		(5,500)
	<u>661,667</u>	<u>676,767</u>
64,658	(45,795)	32,248
	99,697	410,923
<u>\$64,658</u>	<u>\$53,902</u>	<u>\$443,171</u>
	<u>\$186,975</u>	<u>\$187,110</u>

**LIBERTY TOWNSHIP
HENRY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$45,339	\$75,583		\$120,922
Intergovernmental	74,823	90,497		165,320
Charges for Services		13,280		13,280
Licenses, Permits, and Fees		1,980		1,980
Earnings on Investments	11,149	2,039	\$423	13,611
Other Revenue	21,684	20,381		42,065
	<u>152,995</u>	<u>203,760</u>	<u>423</u>	<u>357,178</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	78,472	4,917		83,389
Public Safety		46,827		46,827
Public Works	1,089	93,503		94,592
Health		4,190		4,190
Debt Service:				
Redemption of Principal			2,812	2,812
Interest and Fiscal Charges			1,190	1,190
Capital Outlay		16,595	10,000	26,595
	<u>79,561</u>	<u>166,032</u>	<u>14,002</u>	<u>259,595</u>
Total Cash Disbursements				
Total Cash Receipts Over/ (Under) Cash Disbursements	<u>73,434</u>	<u>37,728</u>	<u>(13,579)</u>	<u>97,583</u>
Other Financing Receipts and (Disbursements):				
Loan proceeds		24,870		24,870
Transfers-In		5,000	57,831	62,831
Transfers-Out	(62,831)			(62,831)
	<u>(62,831)</u>	<u>29,870</u>	<u>57,831</u>	<u>24,870</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	10,603	67,598	44,252	122,453
Fund Cash Balances, January 1	<u>56,191</u>	<u>176,834</u>	<u>55,445</u>	<u>288,470</u>
Fund Cash Balances, December 31	<u>\$66,794</u>	<u>\$244,432</u>	<u>\$99,697</u>	<u>\$410,923</u>
Reserve for Encumbrances, December 31		<u>\$135</u>		<u>\$135</u>

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

**LIBERTY TOWNSHIP
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Liberty Township, Henry County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

Fire District Fund - This fund receives tax levy tax money to pay for costs related to fire protection services.

**LIBERTY TOWNSHIP
HENRY COUNTY**

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

3. Debt Service Funds

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

Bond Fund – This fund receives tax levies for the repayment of a debt to finance the construction of a fire station.

4. 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:

Miscellaneous Capital Projects – This fund received loan proceeds for the construction of a fire station in 2002.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**LIBERTY TOWNSHIP
HENRY COUNTY**

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

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	\$293,171	\$210,923
Certificates of deposit	150,000	200,000
Total deposits	\$443,171	\$410,923

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

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$96,641	\$98,872	\$2,231
Special Revenue	200,401	207,751	7,350
Debt Service	70,556	65,936	(4,620)
Capital Projects	847,800	715,315	(132,485)
Total	\$1,215,398	\$1,087,874	(\$127,524)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$121,839	\$121,839	\$0
Special Revenue	188,894	171,534	17,360
Debt Service	70,000	1,278	68,722
Capital Projects	660,081	948,085	(288,004)
Total	\$1,040,814	\$1,242,736	(\$201,922)

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$117,971	\$152,995	\$35,024
Special Revenue	200,389	233,630	33,241
Capital Projects	30,125	58,254	28,129
Total	\$348,485	\$444,879	\$96,394

**LIBERTY TOWNSHIP
HENRY COUNTY**

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

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$144,966	\$142,392	\$2,574
Special Revenue	193,425	166,167	27,258
Capital Projects	25,000	14,002	10,998
Total	\$363,391	\$322,561	\$40,830

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Miscellaneous Capital Projects and Issue II funds by \$234,356 and \$53,648 respectively for the year ended December 31, 2002.

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Promissory Note - Dump Truck	\$40,425	5.90%
Promissory Note - Tractor	17,656	7.50%
Promissory Note - Fire Station	614,287	4.25%
Total	\$672,368	

The Township entered into promissory note agreements to finance the purchase of a Dump Truck in February 2002 and a Tractor in April 2001. The notes are secured by the asset purchased.

The Township entered into a promissory note agreement in July 2002 to finance the construction of a fire station. The note is collateralized by the Township's taxing authority.

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

**LIBERTY TOWNSHIP
HENRY COUNTY**

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

<u>Year ending December 31:</u>	<u>Promissory Note - Dump Truck</u>	<u>Promissory Note - Tractor</u>	<u>Promissory Note - Fire Station</u>
2003	\$10,986	\$6,003	\$623,493
2004	10,986	6,003	
2005	10,986	6,003	
2006	10,986	2,001	
2007	1,834		
Total	<u>\$45,778</u>	<u>\$20,010</u>	<u>\$623,493</u>

6. 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 postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

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

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

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

8. CONTRACTUAL COMMITMENTS

The Township had the following significant contractual commitments at December 31, 2002

**LIBERTY TOWNSHIP
HENRY COUNTY**

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

<u>Contractor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Remaining</u>
Todd Alspaugh & Associates	Fire Station	\$150,800	\$143,763	\$7,037
The Spieker Company	Fire Station	420,347	355,475	64,872
ARCO, Inc.	Fire Station	11,350		11,350
Shaumbaugh & Son, Inc.	Fire Station	11,775	5,157	6,618
Fitzendrider, Inc.	Fire Station	88,870	39,384	49,486
Stollsteimer Electric	Fire Station	81,356	33,744	47,612

9. SUBSEQUENT EVENTS

The Board authorized on February 4, 2003 for the sale of bonds in the amount of \$800,000 for the purpose of constructing, furnishing, and equipping a new fire station and improving its site in cooperation with Washington Township.



**Auditor of State
Betty Montgomery**

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

Liberty Township
Henry County
S-395 County Road 9
Liberty Center, Ohio 43532-9709

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Henry County, Ohio (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated February 19, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2002-40135-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated February 19, 2003.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 material weaknesses. 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. We noted no matters 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 February 19, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 19, 2003

**LIBERTY TOWNSHIP
HENRY COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-40135-001

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Township did not record Issue II and certain loan activity on its books in 2002. Also, the Township did not encumber significant contractual commitments entered into for construction of a new fire station at December 31, 2002. These adjustments to the financial statements resulted in budgetary expenditures in excess of appropriations at December 31, 2002 in the following funds:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriation</u>	<u>Variance</u>
Miscellaneous Capital Projects	\$894,437	\$660,081	(\$234,356)
Issue II	53,648		(53,648)

The township is required to reflect activity on the financial statements that are spent on behalf of the township. Also, the township is required to follow the required budgetary activity associated with these types of transactions such as obtaining an amended certificate and appropriating. We recommend the township review Auditor of State Bulletin 2002-004 that discusses Issue II matters. Also, management should monitor budget to actual activity throughout the year to ensure that expenditures do not exceed appropriations.

**LIBERTY TOWNSHIP
HENRY COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40135-001	Finding for Recovery Unexplained shortage	Yes	
2000-40135-002	Finding for Recovery Overpayment of Trustee Salary	Yes	
2000-40135-003	Finding for Recovery Overpayment of Trustee Salary	Yes	
2000-40135-004	ORC § 5705.41(B) Expenditures exceeded appropriations	No	Not corrected
2000-40135-005	ORC § 5705.41(D) Improper fiscal officer certification of certain expenditures	Yes	



**Auditor of State
Betty Montgomery**

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LIBERTY TOWNSHIP

HENRY 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
MARCH 18, 2003**