



**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

LIBERTY TOWNSHIP
GUERNSEY COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Liberty Township
Guernsey County
6599 Brush Run Road
Cambridge, Ohio 43725

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999. 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, 2000 and 1999, 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 April 18, 2001, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

April 18, 2001

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**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, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$7,568	\$14,165	\$5,000	\$26,733
Intergovernmental	18,653	60,497	15,380	94,530
All Other Revenue	124	2,785		2,909
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	26,345	77,447	20,380	124,172
Cash Disbursements:				
Current:				
General Government	19,704			19,704
Public Safety		5,000		5,000
Public Works	638	80,223		80,861
Health	167			167
Capital Outlay		825		825
Debt Service:				
Note Principal Payment			10,000	10,000
Interest and Fiscal Charges			4,950	4,950
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	20,509	86,048	14,950	121,507
Total Cash Receipts Over/(Under) Cash Disbursements	5,836	(8,601)	5,430	2,665
Fund Cash Balances, January 1	1,409	45,314	8,970	55,693
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$7,245</u>	<u>\$36,713</u>	<u>\$14,400</u>	<u>\$58,358</u>

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

**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, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$6,678	\$16,605	\$0	\$23,283
Intergovernmental	8,976	59,412	14,487	82,875
All Other Revenue	24	1,380		1,404
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	15,678	77,397	14,487	107,562
Cash Disbursements:				
Current:				
General Government	28,788			28,788
Public Safety		6,503		6,503
Public Works	641	67,698		68,339
Health	168	3,080		3,248
Capital Outlay		112,703		112,703
Debt Service:				
Note Principal Payment		8,718	4,422	13,140
Interest and Fiscal Charges			1,095	1,095
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	29,597	198,702	5,517	233,816
Total Cash Receipts Over/(Under) Cash Disbursements	(13,919)	(121,305)	8,970	(126,254)
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Sale of Notes		90,000		90,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	0	90,000	0	90,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(13,919)	(31,305)	8,970	(36,254)
Fund Cash Balances, January 1	15,328	76,619	0	91,947
Fund Cash Balances, December 31	<u>\$1,409</u>	<u>\$45,314</u>	<u>\$8,970</u>	<u>\$55,693</u>

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

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 and 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Liberty Township, Guernsey 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, cemetery maintenance, and fire protection. The Township contracts with the Liberty Community Volunteer Fire Department 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).

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

C. 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 receives gasoline tax money to pay for constructing, maintaining and repairing Township roads and bridges.

3. Debt Service Fund

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:

Note Retirement Fund - This fund receives property tax money and gasoline tax money for principal and interest payments on outstanding notes.

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 and 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

E. 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.

F. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

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:

	<u>2000</u>	<u>1999</u>
Demand deposits	<u>\$58,358</u>	<u>\$55,693</u>

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

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 and 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999, is as follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,271	\$26,345	\$3,074
Special Revenue	71,670	77,447	5,777
Debt Service	20,380	20,380	0
Total	\$115,321	\$124,172	\$8,851

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$24,681	\$20,509	\$4,172
Special Revenue	116,983	86,048	30,935
Debt Service	29,350	14,950	14,400
Total	\$171,014	\$121,507	\$49,507

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,184	\$15,678	\$1,494
Special Revenue	73,195	167,397	94,202
Debt Service	5,517	14,487	8,970
Total	\$92,896	\$197,562	\$104,666

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$29,513	\$29,597	(\$84)
Special Revenue	149,814	198,702	(48,888)
Debt Service	5,517	5,517	0
Total	\$184,844	\$233,816	(\$48,972)

At December 31, 1999, the Township's Gasoline Tax Fund had expenditures in excess of appropriations. The Township also made expenditures without obtaining the Clerk's prior certification of available funds.

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 and 1999
(Continued)**

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 2000, was as follows:

	Principal	Interest Rate
General Obligation Notes	\$80,000	5.50%

The general obligation notes were issued to finance the purchase of a new 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 of \$19,800, is scheduled as follows:

Year ending December 31:	General Obligation Notes
2001	\$14,400
2002	13,850
2003	13,300
2004	12,750
2005	12,200
Subsequent	33,300
Total	\$99,800

6. RETIREMENT SYSTEMS

The Township's employees and elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 and 1999
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. For the period July 1, 2000 through December 31, 2000, PERS temporarily reduced the employer's contribution rate to 8.13% of participants' gross salaries. The Township has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Association (OTARMA). OTARMA assumes the risk of loss up to the limits of the township's policies. OTARMA may make supplemental assessments if the experience of the overall pool is unfavorable. The following risks are covered by OTARMA:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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

Liberty Township
Guernsey County
6599 Brush Run Road
Cambridge, Ohio 43725

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 18, 2001. 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 2000-41030-001 and 2000-41030-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 18, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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. The reportable condition is described in the accompanying Schedule of Findings as item 2000-41030-003.

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 do not believe the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 18, 2001.

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

April 18, 2001

LIBERTY TOWNSHIP
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-41030-001

Noncompliance Citations

***Ohio Rev. Code Section 5705.41(D)** states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same 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. 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.

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

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Invoice dates preceded the Township Clerk's certification of available funds in seventy-three percent of tested expenditures. Thirty-three percent of these expenditures were less than \$1,000; but, were subsequently resolved to be paid by the Board of Trustees within the aforementioned 30 day time period; however no "then and now" certificates were issued.

We recommend the Township Clerk certify the availability of funds prior to the date of incurring the expenditure.

FINDING NUMBER 2000-41030-002

***Ohio Rev. Code Section 5705.41(B)** requires no subdivision or taxing authority to expend money unless it has been properly appropriated.

At December 31, 1999, the Gasoline Tax Fund expenditures exceeded appropriations by \$77,789, due to an audit adjustment required to reflect the Township's purchase of a road grader.

Township management should monitor available appropriations, and should deny payments that exceed appropriations. If available resources exist to make the payment, management should request the Board of Trustees to consider amending appropriations.

**LIBERTY TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

FINDING NUMBER 2000-41030-003

Reportable Condition

Receipt Ledger Classifications and Posting

Numerous receipts were not posted into accurate revenue classifications based on the source of the receipt. Also, the Township's current revenue classifications do not always provide a separate classification for each type of receipt.

As a result, numerous adjusting entries were prepared to post these revenues into the correct classifications. This situation could also result in inaccurate financial information being distributed to Township officials.

We recommend the Township Clerk consult the Ohio Administrative Code when monies are received, to help ensure these receipts are posted to the appropriate receipt classification and accurate financial statements are prepared. We further recommend the Township Clerk establish separate receipt ledger classifications for each type of revenue received.

*Noncompliance citation is the same as, or similar to, a citation presented in the prior report.



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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
JUNE 7, 2001**