



**LIBERTY TOWNSHIP
CRAWFORD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LIBERTY TOWNSHIP
CRAWFORD COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Liberty Township
Crawford County
3948 Ridgeton Road
Bucyrus, Ohio 44820

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Crawford County, Ohio, (the Township) as of and for the years ended December 31, 2001, and December 31, 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 and reserves for encumbrances of the Township as of December 31, 2001, and December 31, 2000, 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 12, 2002, 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.

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JIM PETRO
Auditor of State

April 12, 2002

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LIBERTY TOWNSHIP
CRAWFORD 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**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Local Taxes	\$14,329	\$62,500	\$76,829
Intergovernmental	49,569	69,431	119,000
Charges for Services	0	7,500	7,500
Earnings on Investments	1,512	678	2,190
Other Receipts	3,317	7,903	11,220
 Total Cash Receipts	 68,727	 148,012	 216,739
Cash Disbursements:			
Current:			
General Government	38,210	0	38,210
Public Safety	0	16,299	16,299
Public Works	1,556	53,972	55,528
Health	1,287	0	1,287
Debt Service:			
Redemption of Principal	0	11,974	11,974
Interest	0	1,774	1,774
Capital Outlay	0	13,543	13,543
 Total Cash Disbursements	 41,053	 97,562	 138,615
 Total Cash Receipts Over Cash Disbursements	 27,674	 50,450	 78,124
 Fund Cash Balances, January 1, 2001	 20,020	 77,823	 97,843
 Fund Cash Balances, December 31, 2001	 \$47,694	 \$128,273	 \$175,967
 Reserve for Encumbrances, December 31, 2001	 \$168	 \$7,289	 \$7,457

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

**LIBERTY TOWNSHIP
CRAWFORD 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>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$14,419	\$67,051	\$0	\$81,470
Intergovernmental	58,059	70,876	13,500	142,435
Charges for Services	0	7,500	0	7,500
Earnings on Investments	2,356	423	0	2,779
Other Receipts	0	21,268	0	21,268
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	74,834	167,118	13,500	255,452
Cash Disbursements:				
Current:				
General Government	46,019	0	0	46,019
Public Safety	0	24,220	0	24,220
Public Works	1,848	112,682	0	114,530
Health	2,426	0	0	2,426
Debt Service:				
Redemption of Principal	0	11,106	0	11,106
Interest	0	2,642	0	2,642
Capital Outlay	41,668	25,856	13,500	81,024
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Total Cash Disbursements	91,961	176,506	13,500	281,967
Total Cash Receipts Under Cash Disbursements	(17,127)	(9,388)	0	(26,515)
Fund Cash Balances, January 1, 2000	37,147	87,211	0	124,358
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Fund Cash Balances, December 31, 2000	<u>\$20,020</u>	<u>\$77,823</u>	<u>\$0</u>	<u>\$97,843</u>

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

**LIBERTY TOWNSHIP
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Liberty Township, Crawford 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 general government services, including road and bridge maintenance, cemetery maintenance and fire protection. The Township is a member of the Crawford Joint Ambulance District, which contracts with Medcorp, Inc. to provide ambulance 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. Cash

The Township maintains an interest-bearing checking account.

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 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 to construct, maintain and repair Township roads.

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

**LIBERTY TOWNSHIP
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Projects Fund:

Issue II Fund - The Township received a grant from the State of Ohio for a road repair project.

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 and 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 re-appropriated.

A summary of 2001 and 2000 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.

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>2001</u>	<u>2000</u>
Deposits	<u>\$175,967</u>	<u>\$97,843</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**LIBERTY TOWNSHIP
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,300	\$68,727	\$38,427
Special Revenue	124,000	148,012	24,012
Total	<u>\$154,300</u>	<u>\$216,739</u>	<u>\$62,439</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,897	\$41,221	\$8,676
Special Revenue	200,221	104,851	95,370
Total	<u>\$250,118</u>	<u>\$146,072</u>	<u>\$104,046</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,668	\$74,834	\$4,166
Special Revenue	\$128,300	\$167,118	\$38,818
Capital Projects	13,500	13,500	0
Total	<u>\$212,468</u>	<u>\$255,452</u>	<u>\$42,984</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$107,774	\$91,961	\$15,813
Special Revenue	\$215,503	\$176,506	\$38,997
Capital Projects	13,500	13,500	0
Total	<u>\$336,777</u>	<u>\$281,967</u>	<u>\$54,810</u>

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 payments, the first half is due December 31. The second half payment is due the following June 20.

**LIBERTY TOWNSHIP
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX (Continued)

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, 2001 was \$17,578.

This debt represents a promissory note for the construction of a fire department storage building. The note was originally issued for \$87,631. The note is being repaid in semiannual installments of \$6,874, including interest, over 8 years with remaining principal and interest (\$4,975) paid in the 9th year.

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

<u>Year ending December 31:</u>	<u>Storage Building Promissory Note</u>
2002	\$13,748
2003	<u>4,975</u>
Total	<u><u>\$18,723</u></u>

6. RETIREMENT SYSTEMS

The Township's officials 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 to December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**LIBERTY TOWNSHIP
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT (Continued)

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2000 and December 31, 1999, which is the latest information available:

<u>Casualty Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$22,684,383	\$18,172,222
Liabilities	<u>8,924,977</u>	<u>5,947,013</u>
Retained earnings	<u>\$13,759,406</u>	<u>\$12,225,209</u>
<u>Property Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$4,156,784	\$3,544,437
Liabilities	<u>497,831</u>	<u>674,752</u>
Retained earnings	<u>\$3,658,953</u>	<u>\$2,869,685</u>

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

Liberty Township
Crawford County
3948 Ridgeton Road
Bucyrus, Ohio 44820

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Crawford County, Ohio, (the Township) as of and for the years ended December 31, 2001, and December 31, 2000, and have issued our report thereon dated April 12, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 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 2001-40517-001 and 2001-40517-002. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated April 12, 2002.

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. 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 12, 2002.

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

JIM PETRO
Auditor of State

April 12, 2002

**LIBERTY TOWNSHIP
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-40517-001

Prevailing Wages

Ohio Rev. Code Sections 4115.04 and 4115.05 require an entity to obtain the prevailing wages in their area for the project they are going to bid before such project is bid and again when the contract is awarded, if the award is made more than 90 days after the original prevailing wage is determined. They then need to make sure the contractors agree, in the contract, to pay prevailing wages.

The Township did not require the contractor to agree to pay prevailing wages for the 2001 and 2000 Township road projects. The contracts for these projects were \$26,688 and \$33,644, respectively, and were paid from the Motor Vehicle License Tax fund and Road and Bridge fund.

We recommend the Township require contractors to agree to pay prevailing wages for contracts involving labor.

FINDING NUMBER 2001-40517-002

Establishment of Funds (Finding for Adjustment)

Ohio Rev. Code Section 5705.09 requires that each subdivision establish a separate special revenue fund for each special levy.

Since 1994, the Township received proceeds from a special fire equipment and maintenance levy and a special fire operating levy, which were both accounted for in the Township's Special Revenue Fire Levy Fund.

From 1994 through 2001, total tax receipts collected for the fire equipment levy fund were \$122,228 and total expenditures were \$83,543. As of April 12, 2002, the Clerk established a special levy fund for fire equipment and maintenance and transferred the difference between the receipts and disbursements related to the levy of \$38,685.

We recommend whenever new sources of revenue are received by the Township, the Clerk should ensure that the required fund has been established.

**LIBERTY TOWNSHIP
CRAWFORD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001, AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-40517-001	Ohio Rev. Code Sections 4115.04 and 4115.05, failure to pay prevailing wages	No	Not Corrected. This citation is being repeated in the current audit period as finding number 2001-40517-001.
1999-40517-002	Ohio Rev. Code Section 5705.41(D), prior certification of expenditures	Partially corrected	This citation is being reported in the management letter.



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LIBERTY TOWNSHIP

CRAWFORD 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
MAY 14, 2002**