



**Auditor of State
Betty Montgomery**

LIBERTY TOWNSHIP
VAN WERT COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Liberty Township
Van Wert County
13695 Richey Road
Van Wert, OH 45891

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Van Wert County (the Township), as of and for the years ended December 31, 2002 and December 31, 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 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 of the Township as of December 31, 2002 and December 31, 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 March 17, 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 audit.

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

March 17, 2003

**LIBERTY TOWNSHIP
VAN WERT 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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$11,010	\$47,527		\$58,537
Intergovernmental	49,419	74,133	33,018	156,570
Licenses, Permits, and Fees	135	8,759		8,894
Earnings on Investments	2,048	704		2,752
Other Revenue	450	3,316		3,766
Total Cash Receipts	<u>63,062</u>	<u>134,439</u>	<u>33,018</u>	<u>230,519</u>
Cash Disbursements:				
Current:				
General Government	54,219			54,219
Public Safety	1,733	14,773		16,506
Public Works		107,413		107,413
Health	8,804	11,324		20,128
Redemption of Principal	4,881	4,768		9,649
Interest and Fiscal Charges	736	849		1,585
Capital Outlay		1,350	44,634	45,984
Total Cash Disbursements	<u>70,373</u>	<u>140,477</u>	<u>44,634</u>	<u>255,484</u>
Total Receipts (Under) Disbursements	<u>(7,311)</u>	<u>(6,038)</u>	<u>(11,616)</u>	<u>(24,965)</u>
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Sale of Notes			23,249	23,249
Other Sources		5,020		5,020
Total Other Financing Receipts		<u>5,020</u>	<u>23,249</u>	<u>28,269</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(7,311)	(1,018)	11,633	3,304
Fund Cash Balances, January 1	<u>67,364</u>	<u>99,784</u>	<u>0</u>	<u>167,148</u>
Fund Cash Balances, December 31	<u><u>\$60,053</u></u>	<u><u>\$98,766</u></u>	<u><u>\$11,633</u></u>	<u><u>\$170,452</u></u>

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

**LIBERTY TOWNSHIP
VAN WERT COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Fiduciary Fund Type
	Nonexpendable Trust
Operating Cash Receipts:	
Miscellaneous	\$25
Operating Cash Disbursements:	
Supplies and Materials	21
Operating Income	4
Fund Cash Balances, January 1	523
Fund Cash Balances, December 31	\$527

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

**LIBERTY TOWNSHIP
VAN WERT 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$11,430	\$45,136	\$56,566
Intergovernmental	46,334	72,958	119,292
Licenses, Permits, and Fees	245	11,316	11,561
Earnings on Investments	2,954	983	3,937
Other Revenue	955		955
	<u>61,918</u>	<u>130,393</u>	<u>192,311</u>
Cash Disbursements:			
Current:			
General Government	46,013		46,013
Public Safety	1,497	11,481	12,978
Public Works		79,925	79,925
Health	7,521	9,284	16,805
Redemption of Principal	4,650	4,750	9,400
Interest and Fiscal Charges	967	867	1,834
Capital Outlay		1,750	1,750
	<u>60,648</u>	<u>108,057</u>	<u>168,705</u>
Total Receipts Over Disbursements	1,270	22,336	23,606
Other Financing Receipts:			
Other Sources		6,400	6,400
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	1,270	28,736	30,006
Fund Cash Balances, January 1	<u>66,094</u>	<u>71,048</u>	<u>137,142</u>
Fund Cash Balances, December 31	<u><u>\$67,364</u></u>	<u><u>\$99,784</u></u>	<u><u>\$167,148</u></u>

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

**LIBERTY TOWNSHIP
VAN WERT COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Fiduciary Fund Type
	Nonexpendable Trust
Operating Cash Receipts:	
Miscellaneous	21
Operating Cash Disbursements:	
Supplies and Materials	18
Operating Income/(Loss)	3
Fund Cash Balances, January 1	520
Fund Cash Balances, December 31	\$523

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

**LIBERTY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Liberty Township, Van Wert 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 road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Village of Ohio City 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. Cash and Investments

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:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

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

3. Capital Project Funds

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

**LIBERTY TOWNSHIP
VAN WERT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Richey Road TIF Fund – This fund accounts for the proceeds of a note issued in anticipation of taxes for the repair and improvement of Richey and Wren-Landeck Roads.

4. Fiduciary Funds (Trust Fund)

These funds are used to account for resources restricted by legally binding trust agreements.

Cemetery Bequest Fund – This fund receives interest for the maintenance and flowers for graves.

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. Encumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus encumbered 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.

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**LIBERTY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(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:

	2002	2001
Demand deposits	\$170,479	\$7,105
Certificates of deposit	500	500
Total deposits	170,979	7,605
Repurchase agreement		160,066
Total investments	0	160,066
Total deposits and investments	\$170,979	\$167,671

Deposits: 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 December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,775	\$63,062	\$287
Special Revenue	139,106	139,459	353
Capital Projects	0	56,267	56,267
Fiduciary	25	25	0
Total	\$201,906	\$258,813	\$56,907

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$130,141	\$70,373	\$59,768
Special Revenue	238,886	140,477	98,409
Capital Projects	23,248	44,634	(21,386)
Fiduciary	548	21	527
Total	\$392,823	\$255,505	\$137,318

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,975	\$61,918	\$7,943
Special Revenue	132,530	136,793	4,263
Fiduciary	21	21	0
Total	\$186,526	\$198,732	\$12,206

**LIBERTY TOWNSHIP
VAN WERT COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$120,071	\$60,648	\$59,423
Special Revenue	203,575	108,057	95,518
Fiduciary	542	18	524
Total	\$324,188	\$168,723	\$155,465

The Township did not comply with Ohio Revised Code 5705.41(B), which states that no subdivision is to expend money unless it has been appropriated. The Township did not appropriate for Issue II Capital Project fund expenditures of \$33,018 in 2002.

The Township did not comply with Ohio Revised Code 5705.39, which states total appropriations from each fund should not exceed the total estimated resources. Appropriations exceeded estimated resources for the Richey Road TIF Capital Project fund in 2002 by \$23,249.

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.

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
Richey Road TIF Note	\$23,249	3.5%
Community First Bank Loan	20,951	5.5%
Total	\$44,200	

The Community First Bank Loan was issued November 2000 to finance the purchase of a new truck to be used for Township snow removal. The Richey Road TIF Note was issued in December 2002 in anticipation of tax revenues for the purpose of repair and improvement of Richey and Wren-Landek Roads.

**LIBERTY TOWNSHIP
VAN WERT COUNTY**

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

5. DEBT (Continued)

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

	Community First Bank Loan	Richey Road TIF Note
Year ending December 31:		
2003	11,234	24,063
2004	11,361	0
Total	\$22,595	\$24,063

6. RETIREMENT SYSTEMS

The Township's elected officials and employee 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, members of PERS 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 POOL MEMBERSHIP

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 coverage 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.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. 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, which the General Reinsurance Corporation will reinsure.

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 Coverage

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.

LIBERTY TOWNSHIP
VAN WERT COUNTY

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

7. RISK POOL MEMBERSHIP (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>



**Auditor of State
Betty Montgomery**

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

Liberty Township
Van Wert County
13695 Richey Road
Van Wert, OH 45891

To the Board of Trustees:

We have audited the financial statements of Liberty Township, Van Wert County (the Township), as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated March 17, 2003. 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 2002-40281-001 and 2002-40281-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 17, 2003.

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 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 17, 2003.

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Liberty Township
Van Wert County
Independent Accountants' Report On
Compliance And On Internal Control Required
By *Government Auditing Standards*
Page 2

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

March 17, 2003

**LIBERTY TOWNSHIP
VAN WERT 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 2002-40281-001

Noncompliance Citation

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

During 2002, the Township did not appropriate for \$33,018 of expenditures in the Issue II Capital Projects Fund.

The Township should make sure that no expenditure is paid without appropriations.

FINDING NUMBER 2002-40281-002

Ohio Rev. Code Section 5705.39 states total appropriation from each fund should not exceed the total estimated resources and no appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Township appropriated \$23,249 for the Richey Road TIF Capital Project Fund, however no amendment to estimated resources was filed with the County Auditor for this fund.

The Township needs to monitor appropriations and estimated resources and amend estimated resources as needed. The Township also needs to make sure that each appropriation measure is certified through the County Auditor's stating that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.



**Auditor of State
Betty Montgomery**

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LIBERTY TOWNSHIP

VAN WERT 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
APRIL 15, 2003**