



**Auditor of State
Betty Montgomery**

**LIBERTY TOWNSHIP
ROSS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Liberty Township
Ross County
P.O. Box 151
Londonberry, Ohio 45647

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Ross County, Ohio, (the Township) as of and for the years ended December 31, 2003, and December 31, 2002. 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. The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Liberty Township, Ross County, Ohio, as of December 31, 2003, and December 31, 2002, 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 July 26, 2004, 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.

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This report is intended solely for the information and use of the audit committee, 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.

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

Betty Montgomery
Auditor of State

July 26, 2004

**LIBERTY TOWNSHIP
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$23,809	\$93,347	\$45,577	\$0	\$162,733
Intergovernmental	53,176	92,006	0	48,182	193,364
Licenses, Permits, and Fees	225	19,560	0	0	19,785
Earnings on Investments	6,066	154	0	0	6,220
Other Revenue	2,887	10,817	0	0	13,704
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Total Cash Receipts	86,163	215,884	45,577	48,182	395,806
Cash Disbursements:					
Current:					
General Government	78,132	2,180	0	0	80,312
Public Safety	0	25,210	0	0	25,210
Public Works	3,643	101,982	0	0	105,625
Health	0	43,218	0	0	43,218
Debt Service:					
Redemption of Principal	0	0	18,690	0	18,690
Interest and Fiscal Charges	0	0	27,064	0	27,064
Capital Outlay	0	99,720	0	48,182	147,902
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Total Cash Disbursements	81,775	272,310	45,754	48,182	448,021
Total Cash Receipts Over/(Under) Cash Disbursements	4,388	(56,426)	(177)	0	(52,215)
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	0	900	0	0	900
Transfers-In	0	4,676	0	0	4,676
Transfers-Out	(4,676)	0	0	0	(4,676)
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Total Other Financing Receipts/(Disbursements)	(4,676)	5,576	0	0	900
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(288)	(50,850)	(177)	0	(51,315)
Fund Cash Balances, January 1	23,681	311,844	177	0	335,702
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Fund Cash Balances, December 31	\$23,393	\$260,994	\$0	\$0	\$284,387

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

**LIBERTY TOWNSHIP
ROSS 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>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$23,679	\$92,724	\$48,983	\$165,386
Intergovernmental	55,336	138,085	940	194,361
Licenses, Permits, and Fees	360	15,725	0	16,085
Earnings on Investments	7,860	290	177	8,327
Other Revenue	2,048	13,947	0	15,995
	<u>89,283</u>	<u>260,771</u>	<u>50,100</u>	<u>400,154</u>
Cash Disbursements:				
Current:				
General Government	79,491	1,939	0	81,430
Public Safety	0	24,020	0	24,020
Public Works	3,981	83,454	0	87,435
Health	0	46,020	0	46,020
Debt Service:				
Redemption of Principal	0	0	23,690	23,690
Interest and Fiscal Charges	0	0	27,571	27,571
Capital Outlay	555	146,655	0	147,210
	<u>84,027</u>	<u>302,088</u>	<u>51,261</u>	<u>437,376</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>5,256</u>	<u>(41,317)</u>	<u>(1,161)</u>	<u>(37,222)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	0	6,324	0	6,324
Transfers-Out	(6,324)	0	0	(6,324)
	<u>(6,324)</u>	<u>6,324</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,068)	(34,993)	(1,161)	(37,222)
Fund Cash Balances, January 1	<u>24,749</u>	<u>346,837</u>	<u>1,338</u>	<u>372,924</u>
Fund Cash Balances, December 31	<u><u>\$23,681</u></u>	<u><u>\$311,844</u></u>	<u><u>\$177</u></u>	<u><u>\$335,702</u></u>

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

**LIBERTY TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Liberty Township, Ross 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.

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposits are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

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.

**LIBERTY TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining, and repairing township roads.

Cemetery Fund - This fund receives tax money for maintaining the cemetery.

Fire Fund - This fund receives gasoline tax money and grants to continue to provide fire services to the Township.

Special Levy Fund - This fund receives tax money for maintaining and paying off the debt for the new fire station.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. This fund is used to pay the debt issued to construct the Fire Station.

4. Capital Projects Fund

This fund is 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 accounted for the construction of a new fire station within this fund.

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 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 plus cash as of January 1. (budgeted receipts). The County Budget Commission must also approve estimated resources.

**LIBERTY TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 in the subsequent year.

A summary of 2003 and 2002 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$97,097	\$58,299
Certificates of deposit	106,718	123,261
Total deposits	<u>203,815</u>	<u>181,560</u>
STAR Ohio	80,572	154,142
Total investments	<u>80,572</u>	<u>154,142</u>
Total deposits and investments	<u><u>\$284,387</u></u>	<u><u>\$335,702</u></u>

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**LIBERTY TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$86,163	\$86,163	\$0
Special Revenue	221,460	221,460	0
Debt Service	45,577	45,577	0
Capital Projects	48,182	48,182	0
Total	<u>\$401,382</u>	<u>\$401,382</u>	<u>\$0</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$105,000	\$86,451	\$18,549
Special Revenue	376,110	272,310	103,800
Debt Service	45,754	45,754	0
Capital Projects	48,182	48,182	0
Total	<u>\$575,046</u>	<u>\$452,697</u>	<u>\$122,349</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$95,687	\$89,283	(\$6,404)
Special Revenue	255,740	267,095	11,355
Debt Service	49,923	50,100	177
Total	<u>\$401,350</u>	<u>\$406,478</u>	<u>\$5,128</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$116,270	\$90,351	\$25,919
Special Revenue	593,758	302,088	291,670
Debt Service	51,261	51,261	0
Total	<u>\$761,289</u>	<u>\$443,700</u>	<u>\$317,589</u>

**LIBERTY TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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 payments, 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, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Series 2001- Fire Station Bond	\$505,000	4%
Tractor/Mower/Loader 1999- Note	7,380	6%
Total	<u>\$512,380</u>	

The general obligation bonds were issued to pay the note issued in 2001 for the construction of the new fire station. The bonds is collateralized solely by the Township's taxing authority

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

	<u>Tractor/Mower/ Loader Loan</u>	<u>Fire Station Bonds</u>
Year ending December 31:		
2004	\$4,098	\$45,825
2005	3,894	45,105
2006		44,305
2007		43,465
2008		42,585
2009 - 2013		217,265
2014 - 2018		226,050
2019 - 2021		133,200
Total	<u>\$7,992</u>	<u>\$797,800</u>

**LIBERTY TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RETIREMENT SYSTEM

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS 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 2003 and 2002, OPERS 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, 2003.

7. RISK POOL MEMBERSHIP

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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 claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, 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 Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 township.

**LIBERTY TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK POOL MEMBERSHIP (Continued)

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, 2003, and 2002:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

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**Auditor of State
Betty Montgomery**

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

Liberty Township
Ross County
P.O. Box 151
Londonberry, Ohio 45647

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Ross County, Ohio, (the Township) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated July 26, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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.

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Liberty Township
Ross 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 the audit committee, 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

July 26, 2004



**Auditor of State
Betty Montgomery**

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LIBERTY TOWNSHIP

ROSS 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
OCTOBER 14, 2004**