



**Auditor of State
Betty Montgomery**

LIBERTY TOWNSHIP
DARKE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2003.....	3
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance – Fiduciary Fund Type – For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002.....	5
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance – Fiduciary Fund Type – For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Prior Audit Findings.....	15

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Liberty Township
Darke County
P.O. Box 69
Palestine, Ohio 45352

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Darke County, (the Township), as of and for the years ended December 31, 2003 and 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.

As described 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 Liberty Township, as of December 31, 2003 and 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 June 16, 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.

Liberty Township
Darke County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the management, Board of Trustees, and other officials authorized to receive this report under Section 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

June 16, 2004

**LIBERTY TOWNSHIP
DARKE 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$19,005	\$111,825	\$130,830
Intergovernmental	23,230	76,665	99,895
Charges for Services		15,260	15,260
Licenses, Permits, and Fees	975	7,948	8,923
Earnings on Investments	1,156	11,586	12,742
Miscellaneous	955	9,881	10,836
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	45,321	233,165	278,486
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	45,783		45,783
Public Safety		34,711	34,711
Public Works		62,052	62,052
Health	7,428		7,428
Capital Outlay		54,556	54,556
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	53,211	151,319	204,530
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(7,890)	81,846	73,956
	<hr/>	<hr/>	<hr/>
Other Financing Receipts and (Disbursements):			
Other Financing Sources		3,500	3,500
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)		3,500	3,500
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,890)	85,346	77,456
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	108,656	387,778	496,434
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$100,766</u>	<u>\$473,124</u>	<u>\$573,890</u>

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

LIBERTY TOWNSHIP
DARKE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Interest	<u>\$95</u>
Total Operating Cash Receipts	<u>95</u>
Operating Cash Disbursements:	
Supplies and Materials	<u>60</u>
Total Operating Cash Disbursements	<u>60</u>
Operating Income/(Loss)	<u>35</u>
Fund Cash Balance, January 1	<u>4,336</u>
Fund Cash Balance, December 31	<u><u>\$4,371</u></u>

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

**LIBERTY TOWNSHIP
DARKE 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>	
Cash Receipts:			
Local Taxes	\$18,836	\$109,574	\$128,410
Intergovernmental	26,713	73,601	100,314
Charges for Services		10,445	10,445
Licenses, Permits, and Fees		5,397	5,397
Fines, Forfeitures, and Penalties		300	300
Earnings on Investments	14,622	122	14,744
Miscellaneous	780	3,043	3,823
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	60,951	202,482	263,433
Cash Disbursements:			
Current:			
General Government	36,115		36,115
Public Safety		22,145	22,145
Public Works		72,695	72,695
Health	7,425	5,487	12,912
Capital Outlay		95,446	95,446
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	43,540	195,773	239,313
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	17,411	6,709	24,120
Other Financing Receipts and (Disbursements):			
Sale of Fixed Assets		9,750	9,750
Transfers-In		12,011	12,011
Transfers-Out	(12,011)		(12,011)
Other Financing Sources		1,725	1,725
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(12,011)	23,486	11,475
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,400	30,195	35,595
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	103,256	357,583	460,839
Fund Cash Balances, December 31	<hr/> \$108,656 <hr/>	<hr/> \$387,778 <hr/>	<hr/> \$496,434 <hr/>

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

LIBERTY TOWNSHIP
DARKE COUNTY

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

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Interest	\$110
Miscellaneous	<u>5</u>
Total Operating Cash Receipts	<u>115</u>
Operating Cash Disbursements:	
Supplies and Materials	<u>60</u>
Total Operating Cash Disbursements	<u>60</u>
Operating Income/(Loss)	<u>55</u>
Fund Cash Balance, January 1	<u>4,281</u>
Fund Cash Balance, December 31	<u><u>\$4,336</u></u>

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

**LIBERTY TOWNSHIP
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Liberty Township, Darke 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 Tri Village Ambulance District to provide ambulance services. The Township contracts with Washington and Neave Townships in Darke County and Greensfork Township in Indiana to provide fire protection 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 deposit are valued at cost or fair value when donated.

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:

**LIBERTY TOWNSHIP
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fire District Fund - This fund receives property tax money to provide respective services for the Township.

Motor Vehicle License Tax Fund – This fund receives motor vehicle license money to pay for constructing, maintaining, and repairing Township roads.

3. Fiduciary Funds (Trust and Agency Funds)

Non-Expendable Trust Fund - Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Township's fiduciary fund is a non-expendable trust 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 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 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 canceled, and reappropriated 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.

**LIBERTY TOWNSHIP
DARKE COUNTY**

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

	2003	2002
Demand deposits	\$384,785	\$318,880
Certificates of Deposit	193,476	181,890
Total Deposits	\$578,261	\$500,770

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, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,654	\$45,321	\$1,667
Special Revenue	204,208	236,665	32,457
Fiduciary	162	95	(67)
Total	\$248,024	\$282,081	\$34,057

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$153,345	\$53,211	\$100,134
Special Revenue	590,904	151,319	439,585
Fiduciary	4,498	60	4,438
Total	\$748,747	\$204,590	\$544,157

**LIBERTY TOWNSHIP
DARKE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,654	\$60,951	\$17,297
Special Revenue	204,208	225,968	\$21,760
Fiduciary	162	115	(\$47)
Total	\$248,024	\$287,034	\$39,010

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$126,739	\$55,551	\$71,188
Special Revenue	581,959	195,773	386,186
Fiduciary	4,443	60	4,383
Total	\$713,142	\$251,384	\$461,758

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. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

**LIBERTY TOWNSHIP
DARKE COUNTY**

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

6. RISK MANAGEMENT

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 claim, including loss adjustment expenses. 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 Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed 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 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 2002 and 2001 (the latest information available):

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>
<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

This page intentionally left blank.



Auditor of State Betty Montgomery

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

Liberty Township
Darke County
P.O. Box 69
Palestine, Ohio 45352

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Darke County, (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 16, 2004. 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 16, 2004.

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 the management of the Township in a separate letter dated June 16, 2004.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Liberty Township
Darke 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 management and 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

June 16, 2004

**LIBERTY TOWNSHIP
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40319-001	Annual Reports	No	Partially corrected, re-issued as management letter comment in current audit.
2001-40319-002	Unrecorded Cash and Interest	Yes	



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

LIBERTY TOWNSHIP

DARKE 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
JULY 13, 2004**