



Mary Taylor, CPA
Auditor of State

**LIBERTY TOWNSHIP
JACKSON COUNTY**

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LIBERTY TOWNSHIP
JACKSON COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Liberty Township
Jackson County
933 Dry Run Road
Jackson, Ohio 45640

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 processes its financial transactions with 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis 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 respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Jackson County, Ohio, as of December 31, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Gasoline Tax and Permissive Sales Tax Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2007 and 2006, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2008, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 3, 2008

Liberty Township, Jackson County
Management's Discussion and Analysis
For the Year Ended December 31, 2007 and 2006
Unaudited

This discussion and analysis of Liberty Township's (the Township) financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2007 and 2006, within the limitations of the Township's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2007 and 2006 are as follows:

Net assets of governmental activities increased \$32,129, or 27.6 percent in 2007. Net assets of governmental activities increased \$52,211, or 81.5 percent in 2006. The fund most affected by the increase in cash and cash equivalents in 2007 was the Gasoline Tax Fund, which realized the greatest increase in revenue in 2007. The fund most affected by the increase in 2006 was the General Fund, which realized the greatest excess of receipts over disbursements in 2006.

The Township's general receipts are primarily property taxes and intergovernmental revenues. These receipts represent 24.7 percent and 61.1 percent, respectively, of the total cash received for governmental activities during 2007 and 26.5 percent and 71.9 percent, respectively, of the total cash received for governmental activities during 2006. Property tax receipts for 2007 increased by 7.3 percent over 2006 due to property tax reassessments.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determines when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Liberty Township, Jackson County
Management's Discussion and Analysis
For the Year Ended December 31, 2007 and 2006
Unaudited

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2007 and 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at each year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position represent one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well, such as the condition of the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and gasoline taxes.

In the statement of net assets and the statement of activities, the Township has only governmental type activities:

Governmental activities. All of the Township's basic services are reported here. State grants and property and gasoline taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are all governmental.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. For 2007 and 2006, the Township's major governmental funds are the General Fund, Gasoline Tax Fund, and Permissive Sales Tax Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Liberty Township, Jackson County
Management's Discussion and Analysis
For the Year Ended December 31, 2007 and 2006
Unaudited

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2007 and 2006 compared to 2005 on a cash basis:

	Governmental Activities		
	2007	2006	2005
Assets			
Cash and Cash Equivalents	\$148,429	\$116,300	\$64,089
Total Assets	<u>\$148,429</u>	<u>\$116,300</u>	<u>\$64,089</u>
Net Assets			
Restricted for:			
Capital Projects	\$6,370	\$3,654	\$1,828
Other Purposes	52,708	29,535	17,853
Unrestricted	89,351	83,111	44,408
Total Net Assets	<u>\$148,429</u>	<u>\$116,300</u>	<u>\$64,089</u>

As mentioned previously, net assets of governmental activities increased \$32,129, or 27.6 percent in 2007 and increased \$52,211, or 81.5 percent in 2006.

Liberty Township, Jackson County
Management's Discussion and Analysis
For the Year Ended December 31, 2007 and 2006
Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2007 and 2006 for governmental activities.

(Table 2)
Change in Net Assets

	Governmental Activities 2007	Governmental Activities 2006
Receipts:		
Program Receipts:		
Charges for Services and Sales		\$3,650
Operating Grants and Contributions	\$112,176	106,626
Total Program Receipts	<u>112,176</u>	<u>110,276</u>
General Receipts:		
Property and Other local Taxes	103,274	96,282
Grants and Entitlements Not Restricted to Specific Programs	143,515	154,131
Notes Issued	55,442	
Sale of Capital Assets	3,100	1,215
Interest	204	144
Miscellaneous	705	798
Total General Receipts	<u>306,240</u>	<u>252,570</u>
Total Receipts	<u>418,416</u>	<u>362,846</u>
Disbursements:		
General Government	81,008	85,746
Public Safety	34,239	30,344
Public Works	188,969	191,218
Health	14,766	723
Conservation - Recreation		2,229
Capital Outlay	57,185	375
Debt Service		
Principal Retirement	8,656	
Interest and Fiscal Charges	1,464	
Total Disbursements	<u>386,287</u>	<u>310,635</u>
Increase (Decrease) in Net Assets	32,129	52,211
Net Assets, January 1	<u>116,300</u>	<u>64,089</u>
Net Assets, December 31	<u><u>\$148,429</u></u>	<u><u>\$116,300</u></u>

Program receipts represent only 26.8 percent of total receipts in 2007 and 30.4 percent of total receipts in 2006 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 73.2 percent of the Township's total receipts for 2007 and 69.6 percent of the Township's total receipts for 2006, and of this amount, 33.7 percent are property and other local taxes in 2007 and 38.1 percent are property and other local taxes in 2006. Grants and entitlements not restricted to Specific Programs, Interest and Miscellaneous receipts make up the balance of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Liberty Township, Jackson County
Management's Discussion and Analysis
For the Year Ended December 31, 2007 and 2006
Unaudited

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities.

Governmental Activities

If you look at the Statements of Activities on pages 10 and 18, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and public works, which account for 69.9 and 89.2 percent of all government disbursements, for 2007 and 2006 respectively. The next columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2007	2007	2006	2006
General Government	\$81,008	\$81,008	\$85,746	\$85,746
Public Safety	34,239	31,068	30,344	27,211
Public Works	188,969	79,964	191,218	87,725
Health	14,766	14,766	723	(2,927)
Conservation - Recreation			2,229	2,229
Capital Outlay	57,185	57,185	375	375
Debt Service				
Principal Retirement	8,656	8,656		
Interest and Fiscal Charges	1,464	1,464		
Total Expenses	\$386,287	\$274,111	\$310,635	\$200,359

The dependence upon property tax receipts is apparent as over 33 percent in 2007 and over 38 percent in 2006 of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$418,416 and disbursements of \$386,287 in 2007 and had receipts of \$362,846 and disbursements of \$310,635 in 2006. In 2007, the greatest change within governmental funds occurred within the Gasoline Tax Fund. The fund balance of the Gasoline Tax Fund increased \$21,525 in 2007 as the result of increased gasoline tax receipts and reduced spending. In 2006, the greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$28,227 in 2006 as the result of a decrease in expenditures.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Liberty Township, Jackson County
Management's Discussion and Analysis
For the Year Ended December 31, 2007 and 2006
Unaudited

General Fund budget basis receipts were \$119,360 in 2007 and \$121,549 in 2006. Total actual disbursements on the budget basis (cash disbursements plus encumbrances) for 2007 were \$120,968, \$1,608 over cash receipts. Total actual disbursements on the budget basis (cash disbursements plus encumbrances) for 2006 were \$93,322, \$28,227 under cash receipts.

During 2007, the General Fund final budgeted receipts were equal to original budgeted receipts as there were no amendments during the year. In 2007, the difference between final budgeted receipts and actual receipts was not significant, with budgeted receipts exceeding actual receipts by \$2,189. Final disbursements were budgeted at \$176,332 while actual disbursements were \$120,968. Although receipts did not meet expectations, appropriations were not amended. The result is the decrease in fund balance of \$1,608 for 2007. During 2006, the General Fund final budgeted receipts exceeded original budgeted receipts by \$9,791. In 2006, the difference between final budgeted receipts and actual receipts was significant, with actual receipts exceeding budgeted receipts by \$13,154. Final disbursements were budgeted at \$125,160 while actual disbursements were \$93,322. Although receipts exceeded expectations, appropriations were not amended. The result is the increase in fund balance of \$28,227 for 2006.

Debt

At December 31, 2007, the Township had \$46,786 in debt outstanding. For more information on the Township's debt, see Note 11 to the financial statements.

Current Financial Related Activities

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base, but Liberty Township is strong financially. However, the future is not without challenges.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jill Newman, Fiscal Officer, Liberty Township, 933 Dry Run Road, Jackson, Ohio 45640.

Liberty Township
Jackson County
Statement of Net Assets - Cash Basis
December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$148,429</u>
<i>Total Assets</i>	<u><u>\$148,429</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$6,370
Other Purposes	52,708
Unrestricted	<u>89,351</u>
<i>Total Net Assets</i>	<u><u>\$148,429</u></u>

See accompanying notes to the basic financial statements

Liberty Township
Jackson County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	Cash Disbursements	Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
General Government	\$81,008		(\$81,008)
Public Safety	34,239	\$3,171	(31,068)
Public Works	188,969	109,005	(79,964)
Health	14,766		(14,766)
Capital Outlay	57,185		(57,185)
Debt Service:			
Principal Retirement	8,656		(8,656)
Interest and Fiscal Charges	1,464		(1,464)
<i>Total Governmental Activities</i>	<u>\$386,287</u>	<u>\$112,176</u>	<u>(274,111)</u>
General Receipts			
Property Taxes Levied for:			
General Purposes			103,274
Grants and Entitlements not Restricted to Specific Programs			143,515
Notes Issued			55,442
Sale of Capital Assets			3,100
Interest			204
Miscellaneous			705
<i>Total General Receipts</i>			<u>306,240</u>
Change in Net Assets			32,129
<i>Net Assets Beginning of Year</i>			<u>116,300</u>
<i>Net Assets End of Year</i>			<u><u>\$148,429</u></u>

See accompanying notes to the basic financial statements

Liberty Township
Jackson County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	General	Gasoline Tax	Permissive Sales Tax	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$53,175	\$38,415	\$36,176	\$20,663	\$148,429
<i>Total Assets</i>	<u>\$53,175</u>	<u>\$38,415</u>	<u>\$36,176</u>	<u>\$20,663</u>	<u>\$148,429</u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	\$53,175				\$53,175
Special Revenue Funds		\$38,415	\$36,176	\$14,293	88,884
Capital Projects Funds				6,370	6,370
<i>Total Fund Balances</i>	<u>\$53,175</u>	<u>\$38,415</u>	<u>\$36,176</u>	<u>\$20,663</u>	<u>\$148,429</u>

See accompanying notes to the basic financial statements

Liberty Township
Jackson County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Gasoline Tax	Permissive Sales Tax	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$73,606			\$29,668	\$103,274
Intergovernmental	44,845	\$93,639	\$98,670	18,474	255,628
Interest	204	54		9	267
Other	705				705
<i>Total Receipts</i>	<u>119,360</u>	<u>93,693</u>	<u>98,670</u>	<u>48,151</u>	<u>359,874</u>
Disbursements					
Current:					
General Government	81,008				81,008
Public Safety			730	33,509	34,239
Public Works	24,394	65,148	90,092	9,335	188,969
Health	14,766				14,766
Capital Outlay	800	55,442		943	57,185
Debt Service:					
Principal Retirement		8,656			8,656
Interest and Fiscal Charges		1,464			1,464
<i>Total Disbursements</i>	<u>120,968</u>	<u>130,710</u>	<u>90,822</u>	<u>43,787</u>	<u>386,287</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,608)</u>	<u>(37,017)</u>	<u>7,848</u>	<u>4,364</u>	<u>(26,413)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets		3,100			3,100
Notes Issued		55,442			55,442
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>58,542</u>	<u>0</u>	<u>0</u>	<u>58,542</u>
<i>Net Change in Fund Balances</i>	<u>(1,608)</u>	<u>21,525</u>	<u>7,848</u>	<u>4,364</u>	<u>32,129</u>
<i>Fund Balances Beginning of Year</i>	<u>54,783</u>	<u>16,890</u>	<u>28,328</u>	<u>16,299</u>	<u>116,300</u>
<i>Fund Balances End of Year</i>	<u>\$53,175</u>	<u>\$38,415</u>	<u>\$36,176</u>	<u>\$20,663</u>	<u>\$148,429</u>

See accompanying notes to the basic financial statements

**Liberty Township
Jackson County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2007*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$67,633	\$67,633	\$73,606	\$5,973
Intergovernmental	29,287	29,287	44,845	15,558
Interest	144	144	204	60
Other	24,485	24,485	705	(23,780)
<i>Total Receipts</i>	<u>121,549</u>	<u>121,549</u>	<u>119,360</u>	<u>(2,189)</u>
Disbursements				
Current:				
General Government	109,332	109,332	81,008	28,324
Public Works	33,000	33,000	24,394	8,606
Health	26,000	26,000	14,766	11,234
Capital Outlay	8,000	8,000	800	7,200
<i>Total Disbursements</i>	<u>176,332</u>	<u>176,332</u>	<u>120,968</u>	<u>55,364</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(54,783)	(54,783)	(1,608)	53,175
<i>Fund Balance Beginning of Year</i>	<u>54,783</u>	<u>54,783</u>	<u>54,783</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$53,175</u>	<u>\$53,175</u>

See accompanying notes to the basic financial statements

Liberty Township
Jackson County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2007

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$88,444	\$88,444	\$93,639	\$5,195
Interest	30	30	54	24
<i>Total Receipts</i>	<u>88,474</u>	<u>88,474</u>	<u>93,693</u>	<u>5,219</u>
Disbursements				
Current:				
Public Works	105,364	105,364	65,148	40,216
Capital Outlay			55,442	(55,442)
Debt Service:				
Principal Retirement			8,656	(8,656)
Interest and Fiscal Charges			1,464	(1,464)
<i>Total Disbursements</i>	<u>105,364</u>	<u>105,364</u>	<u>130,710</u>	<u>(25,346)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(16,890)</u>	<u>(16,890)</u>	<u>(37,017)</u>	<u>(20,127)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets			3,100	3,100
Notes Issued			55,442	55,442
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>58,542</u>	<u>58,542</u>
<i>Net Change in Fund Balance</i>	(16,890)	(16,890)	21,525	38,415
<i>Fund Balance Beginning of Year</i>	<u>16,890</u>	<u>16,890</u>	<u>16,890</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$38,415</u>	<u>\$38,415</u>

See accompanying notes to the basic financial statements

**Liberty Township
Jackson County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Permissive Sales Tax Fund
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	<u>\$101,156</u>	<u>\$101,156</u>	<u>\$98,670</u>	<u>(\$2,486)</u>
<i>Total Receipts</i>	<u>101,156</u>	<u>101,156</u>	<u>98,670</u>	<u>(2,486)</u>
Disbursements				
Current:				
Public Safety	1,400	1,400	730	670
Public Works	<u>128,084</u>	<u>128,084</u>	<u>90,092</u>	<u>37,992</u>
<i>Total Disbursements</i>	<u>129,484</u>	<u>129,484</u>	<u>90,822</u>	<u>38,662</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(28,328)	(28,328)	7,848	36,176
<i>Fund Balance Beginning of Year</i>	<u>28,328</u>	<u>28,328</u>	<u>28,328</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$36,176</u></u>	<u><u>\$36,176</u></u>

See accompanying notes to the basic financial statements

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Liberty Township
Jackson County
Statement of Net Assets - Cash Basis
December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$116,300</u>
<i>Total Assets</i>	<u><u>\$116,300</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$3,654
Other Purposes	29,535
Unrestricted	<u>83,111</u>
<i>Total Net Assets</i>	<u><u>\$116,300</u></u>

See accompanying notes to the basic financial statements

Liberty Township
Jackson County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$85,746			(\$85,746)
Public Safety	30,344		\$3,133	(27,211)
Public Works	191,218		103,493	(87,725)
Health	723	\$3,650		2,927
Conservation-Recreation	2,229			(2,229)
Capital Outlay	375			(375)
<i>Total Governmental Activities</i>	<u>\$310,635</u>	<u>\$3,650</u>	<u>\$106,626</u>	<u>(200,359)</u>
		General Receipts		
		Property Taxes Levied for:		
		General Purposes		96,282
		Grants and Entitlements not Restricted to Specific Programs		154,131
		Sale of Capital Assets		1,215
		Interest		144
		Miscellaneous		798
		<i>Total General Receipts</i>		<u>252,570</u>
		Change in Net Assets		52,211
		<i>Net Assets Beginning of Year</i>		<u>64,089</u>
		<i>Net Assets End of Year</i>		<u><u>\$116,300</u></u>

See accompanying notes to the basic financial statements

Liberty Township
Jackson County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Gasoline Tax	Permissive Sales Tax	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$54,783	\$16,890	\$28,328	\$16,299	\$116,300
<i>Total Assets</i>	<u>\$54,783</u>	<u>\$16,890</u>	<u>\$28,328</u>	<u>\$16,299</u>	<u>\$116,300</u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	\$54,783				\$54,783
Special Revenue Funds		\$16,890	\$28,328	\$12,645	57,863
Capital Projects Funds				3,654	3,654
<i>Total Fund Balances</i>	<u>\$54,783</u>	<u>\$16,890</u>	<u>\$28,328</u>	<u>\$16,299</u>	<u>\$116,300</u>

See accompanying notes to the basic financial statements

Liberty Township
Jackson County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Gasoline Tax	Permissive Sales Tax	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$67,633			\$28,649	\$96,282
Charges for Services				3,650	3,650
Intergovernmental	52,974	\$88,444	\$101,157	18,141	260,716
Interest	144	30		11	185
Other	798				798
<i>Total Receipts</i>	<u>121,549</u>	<u>88,474</u>	<u>101,157</u>	<u>50,451</u>	<u>361,631</u>
Disbursements					
Current:					
General Government	85,746				85,746
Public Safety	805		1,661	27,878	30,344
Public Works	6,396	81,598	89,020	14,204	191,218
Health				723	723
Conservation-Recreation				2,229	2,229
Capital Outlay	375				375
<i>Total Disbursements</i>	<u>93,322</u>	<u>81,598</u>	<u>90,681</u>	<u>45,034</u>	<u>310,635</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>28,227</u>	<u>6,876</u>	<u>10,476</u>	<u>5,417</u>	<u>50,996</u>
Other Financing Sources (Uses)					
Sale of Capital Assets				1,215	1,215
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,215</u>	<u>1,215</u>
<i>Net Change in Fund Balances</i>	28,227	6,876	10,476	6,632	52,211
<i>Fund Balances Beginning of Year</i>	<u>26,556</u>	<u>10,014</u>	<u>17,852</u>	<u>9,667</u>	<u>64,089</u>
<i>Fund Balances End of Year</i>	<u>\$54,783</u>	<u>\$16,890</u>	<u>\$28,328</u>	<u>\$16,299</u>	<u>\$116,300</u>

See accompanying notes to the basic financial statements

**Liberty Township
Jackson County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Receipts				
Property and Other Local Taxes	\$56,723	\$66,514	\$67,633	\$1,119
Intergovernmental	41,961	40,691	52,974	12,283
Interest	100	100	144	44
Other	1121	1090	798	(292)
<i>Total Receipts</i>	<u>99,905</u>	<u>108,395</u>	<u>121,549</u>	<u>13,154</u>
Disbursements				
Current:				
General Government	109,904	109,904	85,746	24,158
Public Safety	806	806	805	1
Public Works	9,000	9,000	6,396	2,604
Health	1,450	1,450		1,450
Capital Outlay	4,000	4,000	375	3,625
<i>Total Disbursements</i>	<u>125,160</u>	<u>125,160</u>	<u>93,322</u>	<u>31,838</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(25,255)	(16,765)	28,227	44,992
<i>Fund Balance Beginning of Year</i>	<u>26,556</u>	<u>26,556</u>	<u>26,556</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,301</u></u>	<u><u>\$9,791</u></u>	<u><u>\$54,783</u></u>	<u><u>\$44,992</u></u>

See accompanying notes to the basic financial statements

Liberty Township
Jackson County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$80,422	\$77,522	\$88,444	\$10,922
Interest	50	50	30	(20)
<i>Total Receipts</i>	<u>80,472</u>	<u>77,572</u>	<u>88,474</u>	<u>10,902</u>
Disbursements				
Current:				
Public Works	87,586	87,586	81,598	5,988
<i>Total Disbursements</i>	<u>87,586</u>	<u>87,586</u>	<u>81,598</u>	<u>5,988</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(7,114)	(10,014)	6,876	16,890
<i>Fund Balance Beginning of Year</i>	<u>10,014</u>	<u>10,014</u>	<u>10,014</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,900</u>	<u>\$0</u>	<u>\$16,890</u>	<u>\$16,890</u>

See accompanying notes to the basic financial statements

Liberty Township
Jackson County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Permissive Sales Tax Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$99,221	\$96,818	\$101,157	\$4,339
<i>Total Receipts</i>	<u>99,221</u>	<u>96,818</u>	<u>101,157</u>	<u>4,339</u>
Disbursements				
Current:				
Public Safety	2,000	2,000	1,661	339
Public Works	<u>112,671</u>	<u>112,670</u>	<u>89,020</u>	<u>23,650</u>
<i>Total Disbursements</i>	<u>114,671</u>	<u>114,670</u>	<u>90,681</u>	<u>23,989</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(15,450)	(17,852)	10,476	28,328
<i>Fund Balance Beginning of Year</i>	<u>17,852</u>	<u>17,852</u>	<u>17,852</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,402</u></u>	<u><u>\$0</u></u>	<u><u>\$28,328</u></u>	<u><u>\$28,328</u></u>

See accompanying notes to the basic financial statements

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Note 1 – Reporting Entity

Liberty Township, Jackson County, Ohio (the Township), is a body politic and corporate established in 1941 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 also has an elected Township Fiscal Officer.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance and fire protection. Police protection is provided by the Jackson County Sheriff's Department.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are all governmental funds.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. The following are the Township's major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Gasoline Tax Fund – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads and bridges.

Permissive Sales Tax Fund – This fund receives County sales tax money for constructing, maintaining and repairing Township roads and bridges.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

Note 2 – Summary of Significant Accounting Policies (continued)

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, function, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

The Township has no investments.

Interest earnings are allocated to Township funds according to State statutes. Interest receipts credited to the General Fund during 2007 was \$204 which includes \$99 assigned from other Township funds. Interest receipts credited to the General Fund during 2006 was \$144 which includes \$60 assigned from other Township funds.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

G. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for grants and construction, maintenance, and repair of Township roadways. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 3 – Change in Basis of Accounting

During 2005, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For 2006, the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Compliance

Contrary to Ohio Revised Code Section 5705.41(D), the Township did not encumber all commitments required. Also, contrary to Ohio law, expenditures exceeded appropriations at December 31, 2007 in the Gasoline Tax Fund by \$25,346.

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund and major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There are no differences between the budgetary basis and the cash basis since the Township canceled all encumbrances at year end.

Note 6 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Note 6 - Deposits and Investments (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2007, \$51,331 of the Township's bank balance of \$151,331 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. At December 31, 2006, \$20,438 of the Township's bank balance of \$120,438 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Liberty Township, Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 7 – Property Taxes (continued)

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2007 and 2006, was \$6.476 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 (2006) property tax receipts were based are as follows:

	2007	2006
Real Property		
Residential	\$ 16,506,090	\$ 16,345,640
Agricultural	6,785,560	6,735,840
Commercial/Industrial/Mineral	382,590	672,720
Tangible Personal Property		
Business	68,397	104,244
Public Utility	1,278,170	1,301,780
Total Assessed Value	\$25,020,807	\$25,160,224

Note 8 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

Note 8 – Risk Management (continued)

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006:

	2007	2006
Assets	\$ 43,210,703	\$ 42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	\$ 29,852,866	\$ 29,921,614

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$8,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Note 8 – Risk Management (continued)

Contributions to OTARMA

2005	\$	4,815
2006	\$	4,874
2007	\$	4,389

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 9 – Defined Benefit Pension Plan

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2007 was 13.85 percent. For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional plan for the years ended December 31, 2007, 2006, and 2005 were \$14,302, \$17,607, and \$14,238 respectively. The full amount has been contributed for 2007, 2006, and 2005.

Note 10 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 and 2006 local government employer contribution rate was 13.85 and 13.7 percent respectively of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care for 2006, 5.0 percent for the period July 1, 2007 to June 30, 2007 and 6.0 percent for the period July 1, 2007 to December 31, 2007.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 5.00 percent annually for the next eight years and 4.00 percent annually after that.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contributions for 2007 and 2006 which were used to fund postemployment benefits were \$4,647 and \$5,783, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Note 11 – Debt

The Township's debt activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
<u>Governmental Activities</u>						
Tractor Note	5.25%	\$0	\$55,442	\$8,656	\$46,786	\$17,973

The tractor note is supported by the full faith and credit of the Township and is payable from gasoline tax receipts.

Liberty Township, Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 11 – Debt (continued)

The following is a summary of the Township's future annual debt service requirements:

Year	Tractor Note	
	Principal	Interest
2008	\$17,973	\$2,254
2009	18,955	1,285
2010	9,858	262
Totals	<u>\$46,786</u>	<u>\$3,801</u>



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Liberty Township
Jackson County
933 Dry Run Road
Jackson, Ohio 45640

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Liberty Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 3, 2008, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above as finding number 2007-002 is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated June 3, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 3, 2008.

We intend this report solely for the information and use of the management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 3, 2008

LIBERTY TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

In 2007 and 2006, eighty-one percent and seventy-three percent, respectively, of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

LIBERTY TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-001 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1) (Continued)

We recommend the Township certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Ohio Rev. Code Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2007-002

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Further, when issuing debt, the Township should obtain an amended certificate of estimated resources for the proceeds of notes and approve an amendment to the appropriations for the amount of the related capital outlay expenditure. Additionally, the proceeds of notes and related capital outlay expenditure should be posted to the audited financial statements, even when payment is made directly from the lender to the vendor.

The Township did not post the proceeds of notes and the related capital outlay expenditure in the amount of \$55,442 when issuing debt and did not amend the estimated resources or appropriations accordingly. The audited financial statements, as adjusted to record the debt proceeds and related expenditure in the Gasoline Tax Fund, reflect expenditures exceeding appropriations at December 31, 2007 as follows:

<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
\$ 105,364	\$ 130,710	\$ (25,346)

We recommend the Board of Trustees obtain an amended certificate of estimated resources when notes are issued and correspondingly increase the appropriation resolution to allow for the related capital outlay expenditure.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**LIBERTY TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	ORC 5705.41(B) – expenditures exceeded appropriations	No	Not Corrected - See Finding Number 2007-002
2004-002	ORC 5705.14 – lack of approval for transfers	Yes	
2004-003	ORC 5705.39 – appropriations exceeded estimated resources	Yes	
2004-004	ORC 5705.10 – deficit fund balances	Yes	
2004-005	Reportable condition for mis-posting of receipts and disbursements	No	This item was repeated in a separate letter to the Township's management.



Mary Taylor, CPA
Auditor of State

LIBERTY TOWNSHIP

JACKSON 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 1, 2008**