

LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO
REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA
Auditor of State

Board of Trustees
Liberty Township
6400 Princeton Road
Liberty Township, Ohio 45011

We have reviewed the *Independent Auditors' Report* of Liberty Township, Butler County, prepared by Cassady Schiller & Associates Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Liberty Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 1, 2010

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Liberty Township
Butler County, Ohio
For the Year Ended December 31, 2007

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INDEPENDENT AUDITORS' REPORT



Liberty Township
Butler County, Ohio
6400 Princeton Road
Liberty Township, Ohio 45011

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, Butler County, Ohio (the Township), as of and for the year ended December 31, 2007, 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified 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 modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Butler County, Ohio, as of December 31, 2007 and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Fire and Police Funds thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2009, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

CERTIFIED PUBLIC ACCOUNTANTS

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Cincinnati, Ohio 45242
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Management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, consisting of the letters 'CST' in a stylized, cursive font.

December 17, 2009

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

This discussion and analysis of Liberty Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2007, within the limitations of the Township's modified 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 are as follows:

During 2007 Liberty Township experienced more business growth. One of the biggest highlights was the groundbreaking for the Liberty Interchange project, which will open the doors for more business development in the upcoming years. The Township also started receiving Tax Incentive District and Residential Incentive District revenue, which will aid in the payment of various projects throughout the Township.

Liberty Township had an increase in governmental net assets of \$2,729,107, or 25 percent, from the prior year. The total year end net assets were \$13,697,836. The Fire Fund held the largest percentage of net assets at 29 percent. The General Fund and Police fund made up 20 percent and 16 percent, respectively.

The Township's general receipts are primarily property and other local taxes. These receipts represent \$10,257,747 or 61 percent, of the total cash received for governmental activities during the year. This is a 74 percent increase compared to 2006, mainly due to the receipt of TIF and RID revenue. Another receipt increase was earnings on investment, which increased 46 percent over 2006.

The Township had \$14,088,001 in disbursements; only \$2,421,674 of these disbursements were offset by program specific charges for services and sales, grants and contributions.

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

As a result of using the modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related disbursements (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 modified 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, within the limitations of the modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. 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 or business-type activity 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 modified 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 is 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 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 receipt sources such as property taxes.

The statement of net assets and the statement of activities are comprised of governmental activities only.

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 split into two categories: governmental and fiduciary.

Governmental Funds - Most 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 nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major

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

governmental funds are the General Fund, the Fire Fund, and the Police Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs.

The Township as a Whole

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

(Table 1)
Net Assets

	Governmental Activities		
	2007	2006	Change
Assets			
Equity in Pooled Cash and Cash Equivalent:	\$13,697,836	\$10,968,729	\$2,729,107
Net Assets			
Restricted for:			
Capital Projects	\$2,046,550	\$286,454	\$1,760,096
Debt Service	37,580	4,395	33,185
Permanent Fund: Allen Park			
Expendable	3,285	1,905	1,380
Non-Expendable	25,000	25,000	0
Public Safety	6,723,345	6,604,578	118,767
Public Works	1,648,230	1,256,536	391,694
Other Purposes	408,573	531,325	(122,752)
Unrestricted	2,805,273	2,258,536	546,737
Total Net Assets	\$13,697,836	\$10,968,729	\$2,729,107

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

As mentioned previously, net assets of governmental activities increased \$2,729,107, or 25 percent during 2007. The primary reasons contributing to the increase in cash balances are as follows:

- The General Purpose property and other local tax revenue increased substantially over 2006 due to the collection of our Joint Economic Development, Residential Incentive District, and Tax Incentive District revenue. These additional revenue sources make up 91 percent, or \$3,902,233, of the revenue received in General Purpose property and other local taxes
- The Township had a significant increase of \$212,055, or 46 percent, in the earnings on investments in 2007 compared to 2006. This receipt includes the interest earned on both the checking account balance and on the Township's investment balance. This increased due to the purchase of longer securities to lock in higher interest rates for as long as possible, which allowed the Township to collect a higher interest rate even after the rate cuts began by the Federal Reserve.
- The decrease in the Township's debt service-principal retirement disbursement was \$874,583, or 26 percent, from 2006. In 2006 the Woodland View Park Note was renewed as a Bond, and the sale of the note took place, which is why the 2007 disbursement is much lower.
- The Township's disbursements increased by \$2,591,883, or 23 percent, from 2006; however the revenues increased by \$4,979,050, or 51 percent, from 2006. Even with both an increase in revenue and disbursements, the overall fund balance change from 2006 to 2007 was still an increase of \$2,729,107, or 25 percent.

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

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

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2007	2006
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$1,039,978	\$1,034,921
Operating Grants and Contributions	1,081,685	981,486
Capital Grants and Contributions	300,011	484,579
Total Program Receipts	<u>2,421,674</u>	<u>2,500,986</u>
General Receipts:		
Property and Other Local Taxes	10,257,747	5,890,804
Grants and Entitlements Not Restricted to Specific Programs	1,275,009	814,071
Sale of Bonds	0	912,424
Sale of Notes	2,020,000	2,100,000
Earnings on Investments	670,850	458,795
Miscellaneous	171,828	153,400
Total General Receipts	<u>14,395,434</u>	<u>10,329,494</u>
Total Receipts	<u>16,817,108</u>	<u>12,830,480</u>
Disbursements:		
General Government	2,896,968	954,569
Public Safety	5,180,622	4,455,437
Public Works	1,038,999	925,702
Health	26,892	30,274
Conservation-Recreation	184,921	187,977
Capital Outlay	1,921,759	1,222,417
Debt Service:		
Principal Retirement	2,533,141	3,407,724
Interest and Fiscal Charges	304,699	312,018
Total Disbursements	<u>14,088,001</u>	<u>11,496,118</u>
Excess Before Transfers	<u>2,729,107</u>	<u>1,334,362</u>
Increase in Net Assets	2,729,107	1,334,362
Net Assets at Beginning of Year	<u>10,968,729</u>	<u>9,634,367</u>
Net Assets at End of Year	<u>\$13,697,836</u>	<u>\$10,968,729</u>

Program receipts represent only 14 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, state grants, zoning permits and inspection fees, cell tower and franchise fees, and charges for emergency medical services provided by the fire department.

General receipts represent 86 percent of the Township's total receipts, and of this amount 71 percent are property and other local taxes. Sale of Notes make up 14 percent of the general receipts. Grants and entitlements not restricted to specific programs make up 9 percent of total receipts. Other receipts are insignificant and somewhat unpredictable receipt sources.

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

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Government activities. These include the costs of the administrative, fiscal office, and parks department. These costs represent 21 percent of the total disbursements.

Public Safety represents the costs of police and fire protection, which makes up 37 percent of the total disbursements. Public Works includes the costs for the Road & Bridge Fund as well as the lighting districts. The Capital Outlay includes large equipment purchases, building improvements, and any large projects completed by various departments, which makes up 14 percent of the total disbursements.

Governmental Activities

If you look at the Statement of Activities on page 12, 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 the protection and safety of the residents, both police and fire, which account for \$5,180,622 or 37 percent of all governmental disbursements, respectively. General Government also represents a significant cost, approximately 21 percent. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by residents who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The Net (Disbursements) Receipts 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 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
General Government	\$2,896,968	(\$2,515,069)	\$954,569	(\$543,381)
Public Safety	5,180,622	(4,245,617)	4,455,437	(3,497,524)
Public Works	1,038,999	(262,404)	925,702	(299,670)
Health	26,892	1,272	30,274	(11,275)
Conservation-Recreation	184,921	(184,921)	187,977	(185,702)
Capital Outlay	1,921,759	(1,621,748)	1,222,417	(737,838)
Debt Service:				
Principal Retirement	2,533,141	(2,533,141)	3,407,724	(3,407,724)
Interest and Fiscal Charges	304,699	(304,699)	312,018	(312,018)
Total Expenses	<u>\$14,088,001</u>	<u>(\$11,666,327)</u>	<u>\$11,496,118</u>	<u>(\$8,995,132)</u>

The dependence upon property tax and intergovernmental receipts is apparent as over 83 percent of governmental activities are supported through these general receipts.

The Government's Funds

Information about the Township's major funds starts on page 13. These funds are accounted for using the modified cash basis of accounting. Total governmental funds had receipts of \$16,817,108, which included other financing sources. Total disbursements were \$14,088,001.

The fund balance of the General Fund increased \$546,737 from the prior year, primarily due to an increase in intergovernmental receipts, increase in interest earned, and other taxes received (JEDD revenues). The Fire Fund increased \$247,638 from the prior year due to an increase in property tax receipts due to the replacement levy of 3.5 mils being implemented.

General Fund Budgeting Highlights

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

The General Fund's final disbursements were budgeted at \$2,296,700 while the actual disbursements came in at \$2,117,739, which put the Township under budget by 8 percent. The disbursements were less in all categories with Conservation-Recreation and General Government disbursements having the most significant variance. The General Fund's final receipts were budgeted at \$2,018,126 while the actual receipts came in higher at \$2,758,470. The receipts were higher than budgeted due to additional interest earned on investments, and the receipt of reimbursement for capital improvements received.

Capital Assets and Debt Administration

Capital Assets

The Township maintains inventory records on the Township's capital equipment and performs annual updates. The Township does not report non-cash assets on the financial statements.

Debt

At December 31, 2007, the Township's outstanding debt totaled \$6,106,283 issued for various reasons. For further information regarding the Government's debt, refer to Note 10 to the basic financial statements.

- \$2,020,000 BAN 747/Princeton Road Intersection
- \$1,700,000 Bond Firestation #3
- \$1,100,000 Bond for Road Garage
- \$840,000 BAN Parkland Acquisition (Wilhemina)
- \$446,283 BAN 7 Yr. Parkland Note (Wilhemina)

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited funding. We rely heavily on local government funds and levies. The Township has eleven Residential Incentive Districts and one Tax Incremental Financing District to assist with capital improvement projects. The Township also has the JEDD income tax, which will also help to fund necessary projects to improve the Township. The Township is financially sound with sufficient reserves set aside to aid in emergency expenditure needs.

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

Contacting the Government'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 Pam Quinlisk, Fiscal Officer, Liberty Township, 6400 Princeton Road, Liberty Township, Ohio 45011.

Liberty Township
Butler County, Ohio
Statement of Net Assets - Modified Cash Basis
December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$13,697,836</u>
Net Assets	
Restricted for:	
Capital Projects	\$2,046,551
Debt Service	37,580
Permanent Fund	
Expendable	3,285
Nonexpendable	25,000
Public Safety	6,723,344
Public Works	1,648,230
Other Purposes	408,573
Unrestricted	<u>2,805,273</u>
<i>Total Net Assets</i>	<u>\$13,697,836</u>

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

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
General Government	\$2,896,968	\$381,899	\$0	\$0	(\$2,515,069)
Public Safety	5,180,622	240,560	694,445	0	(4,245,617)
Public Works	1,038,999	389,355	387,240	0	(262,404)
Health	26,892	28,164	0	0	1,272
Conservation-Recreation	184,921	0	0	0	(184,921)
Capital Outlay	1,921,759	0	0	300,011	(1,621,748)
Debt Service:					
Principal Retirement	2,533,141	0	0	0	(2,533,141)
Interest and Fiscal Charges	304,699	0	0	0	(304,699)
Total	\$14,088,001	\$1,039,978	\$1,081,685	\$300,011	(\$11,666,327)

General Receipts

Property and Other Local Taxes Levied for:

General Purposes	\$4,302,633
Public Safety	5,042,179
Public Works	912,935
Grants and Entitlements not Restricted to Specific Programs	1,275,009
Sale of Notes	2,020,000
Earnings on Investments	670,850
Miscellaneous	171,828

Total General Receipts 14,395,434

Increase in Net Assets 2,729,107

Net Assets at Beginning of Year 10,968,729

Net Assets at End of Year \$13,697,836

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

	Private General	Fire Fund	Police Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$2,805,273</u>	<u>\$3,940,185</u>	<u>\$2,223,302</u>	<u>\$4,729,076</u>	<u>\$13,697,836</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$98,980	\$380,599	\$1,340	\$127,456	\$608,375
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	2,706,293	0	0	0	2,706,293
Special Revenue Funds	0	3,559,586	2,221,962	2,489,204	8,270,752
Debt Service Fund	0	0	0	37,580	37,580
Capital Projects Funds	0	0	0	2,046,551	2,046,551
Permanent Fund	0	0	0	28,285	28,285
Total Fund Balances	<u>\$2,805,273</u>	<u>\$3,940,185</u>	<u>\$2,223,302</u>	<u>\$4,729,076</u>	<u>\$13,697,836</u>

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

	Private			Other Governmental Funds	Total Governmental Funds
	General	Fire Fund	Police Fund		
Receipts					
Property and Other Local Taxes	\$582,597	\$3,604,844	\$1,437,335	\$4,632,971	\$10,257,747
Charges for Services	0	0	0	256,145	256,145
Licenses, Permits and Fees	145,621	0	0	222,949	368,570
Fines and Forfeitures	25,909	0	0	0	25,909
Intergovernmental	1,275,009	497,916	196,529	687,250	2,656,704
Special Assessments	0	0	0	389,355	389,355
Earnings on Investments	630,937	0	0	39,913	670,850
Gifts and Donations	0	0	0	0	0
Miscellaneous	98,397	27,029	0	46,402	171,828
Total Receipts	2,758,470	4,129,789	1,633,864	6,274,985	14,797,108
Disbursements					
Current:					
General Government	784,653	0	0	2,112,315	2,896,968
Public Safety	0	3,470,937	1,564,586	145,099	5,180,622
Public Works	0	0	0	1,038,999	1,038,999
Health	17,512	0	0	9,380	26,892
Conservation-Recreation	184,571	0	0	350	184,921
Capital Outlay	1,032,023	263,199	83,972	542,565	1,921,759
Debt Service:					
Principal Retirement	0	0	0	2,533,141	2,533,141
Interest and Fiscal Charges	0	0	0	304,699	304,699
Total Disbursements	2,018,759	3,734,136	1,648,558	6,686,548	14,088,001
Excess of Receipts Over (Under) Disbursements	739,711	395,653	(14,694)	(411,563)	709,107
Other Financing Sources (Uses)					
Sale of Bonds	0	0	0	0	0
Sale of Notes	0	0	0	2,020,000	2,020,000
Transfers In	0	0	0	817,867	817,867
Transfers Out	(492,974)	(148,015)	0	(176,878)	(817,867)
Advances In	418,395	0	0	118,395	536,790
Advances Out	(118,395)	0	0	(418,395)	(536,790)
Total Other Financing Sources (Uses)	(192,974)	(148,015)	0	2,360,989	2,020,000
Net Change in Fund Balances	546,737	247,638	(14,694)	1,949,426	2,729,107
Fund Balances at Beginning of Year	2,258,536	3,692,547	2,237,996	2,779,650	10,968,729
Fund Balances at End of Year	\$2,805,273	\$3,940,185	\$2,223,302	\$4,729,076	\$13,697,836

Liberty Township
Butler County, Ohio
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
December 31, 2007

	Private Purpose Trust
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$12,937</u>
Net Assets	
Other Purposes	<u>\$12,937</u>

Liberty Township
Butler County, Ohio
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
For the Year Ended December 31, 2007

	<u>Private Purpose Trust</u>
Additions	
Interest	\$204
Deductions	
	<u>0</u>
Change in Net Assets	204
Net Assets at Beginning of Year	<u>12,733</u>
Net Assets at End of Year	<u><u>\$12,937</u></u>

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

	Private			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Receipts				
Property and Other Local Taxes	\$461,000	\$669,326	\$582,597	(\$86,729)
Licenses, Permits and Fees	112,000	112,000	145,621	33,621
Fines and Forfeitures	12,000	12,000	25,909	13,909
Intergovernmental	818,300	818,300	1,275,009	456,709
Special Assessments	500	500	0	(500)
Earnings on Investments	350,000	350,000	630,937	280,937
Miscellaneous	56,000	56,000	98,397	42,397
<i>Total Receipts</i>	<u>1,809,800</u>	<u>2,018,126</u>	<u>2,758,470</u>	<u>740,344</u>
Disbursements				
Current:				
General Government	732,000	926,861	864,133	62,728
Health	35,000	30,500	17,512	12,988
Conservation-Recreation	271,200	263,700	184,571	79,129
Capital Outlay	146,500	1,075,639	1,051,523	24,116
<i>Total Disbursements</i>	<u>1,184,700</u>	<u>2,296,700</u>	<u>2,117,739</u>	<u>178,961</u>
<i>Excess of Receipts Over Disbursements</i> <i>(Disbursements Over Receipts)</i>	625,100	(278,574)	640,731	919,305
Other Financing Uses				
Transfers In	97,000	97,000	0	(97,000)
Transfers Out	(589,000)	(589,852)	(492,974)	96,878
Advances In	500,000	500,000	418,395	(81,605)
Advances Out	(500,000)	(500,000)	(118,395)	381,605
<i>Total Other Financing Sources (Uses)</i>	<u>(492,000)</u>	<u>(492,852)</u>	<u>(192,974)</u>	<u>299,878</u>
<i>Net Change in Fund Balance</i>	133,100	(771,426)	447,757	1,219,183
<i>Fund Balance at Beginning of Year</i>	2,258,536	2,258,536	2,258,536	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$2,391,636</u></u>	<u><u>\$1,487,110</u></u>	<u><u>\$2,706,293</u></u>	<u><u>\$1,219,183</u></u>

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

	Private			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Receipts				
Property and Other Local Taxes	\$4,300,000	\$4,300,000	\$3,604,844	(\$695,156)
Intergovernmental	422,000	422,000	497,916	75,916
Miscellaneous	11,000	11,000	27,029	16,029
<i>Total Receipts</i>	<u>4,733,000</u>	<u>4,733,000</u>	<u>4,129,789</u>	<u>(603,211)</u>
Disbursements				
Current:				
Public Safety	3,177,800	3,674,250	3,476,019	198,231
Capital Outlay	730,506	694,506	638,716	55,790
<i>Total Disbursements</i>	<u>3,908,306</u>	<u>4,368,756</u>	<u>4,114,735</u>	<u>254,021</u>
<i>Excess of Receipts Under Disbursements</i>	824,694	364,244	15,054	(349,190)
Other Financing Uses				
Transfers Out	(148,015)	(148,015)	(148,015)	0
<i>Net Change in Fund Balance</i>	676,679	216,229	(132,961)	(349,190)
<i>Fund Balance at Beginning of Year</i>	3,302,041	3,302,041	3,302,041	0
Prior Year Encumbrances Appropriated	390,506	390,506	390,506	0
<i>Fund Balance at End of Year</i>	<u>\$4,369,226</u>	<u>\$3,908,776</u>	<u>\$3,559,586</u>	<u>(\$349,190)</u>

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

	Private			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Receipts				
Property and Other Local Taxes	\$1,511,000	\$1,511,000	\$1,437,335	(\$73,665)
Intergovernmental	205,000	205,000	196,529	(8,471)
<i>Total Receipts</i>	<u>1,716,000</u>	<u>1,716,000</u>	<u>1,633,864</u>	<u>(82,136)</u>
Disbursements				
Current:				
Public Safety	1,440,000	1,633,000	1,565,926	67,074
Capital Outlay	20,000	102,000	83,972	18,028
<i>Total Disbursements</i>	<u>1,460,000</u>	<u>1,735,000</u>	<u>1,649,898</u>	<u>85,102</u>
<i>Net Change in Fund Balance</i>	256,000	(19,000)	(16,034)	2,966
<i>Fund Balance at Beginning of Year</i>	2,237,996	2,237,996	2,237,996	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$2,493,996</u></u>	<u><u>\$2,218,996</u></u>	<u><u>\$2,221,962</u></u>	<u><u>\$2,966</u></u>

Note 1 – Reporting Entity

Liberty Township, Butler County, Ohio, is a body politic and corporate 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 also has an elected Township Fiscal Officer.

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

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, and cemetery maintenance. The Township contracts with the Butler County Sheriff's Office for police protection.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

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 townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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.

Note 2 – Summary of Significant Accounting Policies (continued)

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, except for fiduciary funds.

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 modified cash basis or draws from the Township's general receipts.

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 and enterprise 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.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g; grants), and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Fire Fund, and Police Fund. The Road and Bridge Fund plays an integral role in the governmental funds, however it does not fall under the parameters of a major governmental fund for the Township. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund is available to the Township for any purpose provided it is expended and transferred according to the general laws of Ohio. The Fire Fund and the Police Fund are Public Safety funds, which have a levied tax for maintaining services. The Road and Bridge Fund also has a levied tax and also receives various other resources to maintain the Township's roads.

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township's private purpose trust funds were established for memorial purposes by former residents who are buried at the Township's Spring Hill Cemetery.

Note 2 – Summary of Significant Accounting Policies (continued)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township does not have any agency funds.

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified 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 ordinance, 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.

The appropriations ordinance 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, department, 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 ordinance 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 ordinance 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

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity as Pooled Cash and Cash Equivalents."

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 negative receipts, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)

During 2007, the Township invested in nonnegotiable certificates of deposit, and U.S. Government Securities, which consisted of Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Discount Notes, and First American Treasury Money

Market Fund - The nonnegotiable certificates of deposit are reported at cost. The Township's U.S. Government Securities investment is recorded at the amount reported by RBC Capital Markets on December 31, 2007.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$630,937, which includes \$528,675 assigned from other Township funds.

F. 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits. The Township pays both the employer and employee portion of the Administrator's pension benefits as approved by the Trustees.

G. 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 maintaining roads and bridges, maintaining fire and life squad services, and maintaining police services. All levied funds are restricted in their expenditures, in that they can only be used for the operations of the purpose they were voted for. 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.

H. Fund Balance Reserves

The Township reserves any portion of fund balance which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

I. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

J. Accumulated Leave

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

Note 2 – Summary of Significant Accounting Policies (continued)

K. Long-Term Obligations

The Township's modified 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. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. 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 maintaining roads and bridges, maintaining fire and life squad services, and maintaining police services. All levied funds are restricted in their expenditures, in that they can only be used for the operations of the purpose they were voted for. 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 – 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 – Budgetary Basis presented for the General Fund and any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year-end encumbrances, which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) and outstanding year-end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to \$98,980 for the General Fund, \$380,599 for the Fire Fund, and \$1,340 for the Police Fund.

Note 4 – 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;

Note 4 – Deposits and Investments (continued)

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;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
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);
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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.

At year-end, the Township had \$100 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

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 year end, \$4,524,124 of the Township's bank balance of \$4,624,124 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 105 percent of the deposits being secured.

Liberty Township, Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 4 – Deposits and Investments (continued)

Investments

As of December 31, 2007, the Township had the following investments:

Title	Carrying Value	< 1 yr	> 1 yr (< 2 yrs)
Federal Home Loan Bank Notes	\$ 3,977,590	\$ 3,474,033	\$ 503,557
Federal Home Loan Mortgage Corporation	947,631	435,555	512,076
Federal National Mortgage Association	1,221,398	969,135	252,263
First American Treasury Money Market Fund	46,028	46,028	0
	<u>\$ 6,192,647</u>	<u>\$ 4,924,751</u>	<u>\$ 1,267,896</u>

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit Risk – The Federal Home Loan Bank Notes and the Federal National Mortgage Association Notes carry a rating of Aaa by Moody's. The Federal National Mortgage Association Notes and Federal Home Loan Mortgage Corporation Discount Notes earn the highest credit ratings for short-term investments from Moody's (Aaa). The Money Market Fund carries a rating of AAA/Aaa by Standard and Poor's, and Moody's. Ohio law requires that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Concentration of Credit Risk – The Township places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The Township's investments in The Federal Home Loan Bank Notes, The Federal Home Loan Mortgage Corporation Discount Notes, and The Federal National Mortgage Association Notes represent 64 percent, 15 percent and 20 percent, respectively, of the Township's total investments.

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien on December 31, 2006 are levied after October 1, 2007, and are collected in 2008 with real property taxes.

Liberty Township, Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 5 – Property Taxes (continued)

2007 tangible property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder due September 20.

The full tax rate for all Township operations for the year ended December 31, 2007, was \$11.68 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential	\$748,746,660
Agricultural	20,179,740
Commercial/Industrial/Mineral	42,668,040
Public Utility Property	
Real	97,850
Personal	13,975,480
Tangible Personal Property	4,447,476
Total Assessed Value	\$830,115,246

Note 6 – Interfund Receivables/Payables

There were no interfund balances as of December 31, 2007.

Note 7 – 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 member's deductibles.

The coverage provided is as follows:

Type of Coverage	Amount of Coverage
Legal Liability	\$4,000,000 per occurrence, deductible varies
Automobile Liability	\$4,000,000 per occurrence, deductible varies
Wrongful Acts	\$4,000,000 per occurrence, \$1,000 deductible
Automobile Physical Damage	Various
Property	Various

Note 7 – Risk Management (continued)

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, including loss adjustment expenses. 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.

If losses exhaust OTARMA'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:

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Retained earnings	\$29,852,866	\$29,921,614

Note 7 – Risk Management (continued)

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 \$38,000.

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.

Contributions to OTARMA

2005	\$48,041
2006	\$48,992
2007	\$32,086

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 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

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) 222-5601 or (800) 222-7377.

Note 8 – Defined Benefit Pension Plan (continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.50 percent of covered payroll, public safety members contributed 9.75 percent and law enforcement members contributed 10.10 percent.

The Township's contribution rate for 2007 was 13.85 percent (13.70 percent in 2006 and 13.55 percent in 2005), except for those plan members in law enforcement or public safety, for whom the Township's contribution rate was 17.17 percent of covered payroll. For the period January 1 through June 30, 2007, a portion of the Township's contribution equal to 5 percent of covered payroll was allocated to fund the postemployment healthcare plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Township of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$78,007, \$97,675 and \$53,571, respectively. The full amount has been contributed for 2007, 2006, and 2005. Township contributions made to the member-directed plan for 2007 were \$531.

B. Ohio Police and Fire Pension Fund

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Township is required to contribute 24 percent for firefighters. Contributions are established by State statute. For 2007, a portion of the Township's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment healthcare plan. The Township's contributions to OP&F for firefighters were \$212,241, \$168,007 and \$164,732 for the years ended December 31, 2007, 2006 and 2005, respectively. The full amount has been contributed for 2007, 2006 and 2005.

Note 9 – Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age-and-service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Note 9 – Postemployment Benefits (continued)

Disclosures for the health care plan are presented separately in OPERS' financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State Statute requires that public employers fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to the traditional pension and combined plans is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2007, state and local employers contributed at a rate of 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2007, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007 and 2006 were \$51,382 and \$47,776, respectively; 100 percent has been contributed for 2007 and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description – The Township contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Liberty Township, Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 9 – Postemployment Benefits (continued)

Funding Policy – OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 410(h) account within the defined benefit plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2007, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$82,977 for the year ended December 31, 2007 and \$80,147 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006.

Note 10 – Debt

A summary of the Township's debt activity for the year ended December 31, 2007 follows:

	Interest Rate	Balance 12/31/06	Additions	Reductions	Balance 12/31/07	Due In One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
1) Road Garage	4.00%	\$1,160,000	\$0	\$60,000	\$1,100,000	\$65,000
2) Firestation #3 Building	2.00%	1,775,000	0	75,000	1,700,000	80,000
3) Parkland Acquisition – Wilhemina Bond	4.00%	915,000	0	75,000	840,000	80,000
Total General Obligation Bonds		<u>3,850,000</u>	<u>0</u>	<u>210,000</u>	<u>3,640,000</u>	<u>225,000</u>
Bond Anticipation Notes						
1) Parkland Acquisition – Wilhemina 7 yr note	6.00%	669,424	0	223,141	446,283	223,141
2) 747/Princeton Rd Intersection Improvement	4.55%	2,100,000	2,020,000	2,100,000	2,020,000	2,020,000
Total General Obligation Bonds		<u>2,769,424</u>	<u>2,020,000</u>	<u>2,323,141</u>	<u>2,466,283</u>	<u>2,243,141</u>
Total Governmental Activities		<u>\$6,619,424</u>	<u>\$2,020,000</u>	<u>\$2,533,141</u>	<u>\$6,106,283</u>	<u>\$2,468,141</u>

The general obligation bonds are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

Liberty Township, Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 10 – Debt (continued)

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

Year	G.O. Bonds	
	Principal	Interest
2008	\$225,000	\$159,971
2009	225,000	151,641
2010	240,000	142,847
2011	245,000	133,051
2012	260,000	122,787
2013 - 2017	1,360,000	431,171
2018 - 2022	940,000	151,480
2023 - 2027	145,000	6,598
Totals	\$3,640,000	\$1,299,546

The bond anticipation note is backed by the full faith and credit of the Township and matures within one year with the exception of the Parkland Acquisition – Wilhemina 7 yr. note. A detailed payment schedule of future annual debt service requirements for the 7 year note follows:

<u>Year</u>	<u>Payment</u>	<u>Loan Balance</u>
2008	223,141	446,283
2009	223,142	223,142

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2007 were an overall debt margin of \$81,093,399 and an unvoted debt margin of \$39,587,636.

Note 11 – Interfund Transfers

During 2007 the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Funds	\$492,974

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers from the Fire Fund to:	
Other Governmental Funds	\$148,015

Transfers represent the allocation of funds collected in the Fire Fund to finance and construct Firestation #3.

Transfers from the Capital Improvement Fund to:	
Other Governmental Funds	\$176,878

Transfers represent the allocation of funds collected in the 747/Princeton Fund to be used towards debt service expenses.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



Liberty Township
Butler County, Ohio
6400 Princeton Road
Liberty Township, Ohio 45011

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Butler County, Ohio (the Township), as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated December 17, 2009, wherein we noted the Township followed the modified cash accounting basis. 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.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of 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 internal control over financial reporting that we consider to be material weaknesses, as defined above. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

CERTIFIED PUBLIC ACCOUNTANTS

4705 Lake Forest Drive
Cincinnati, Ohio 45242
513/483.6699 Fax: 513.483.6690
800/378.8606



Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to be the initials 'C. SA'.

December 17, 2009

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007**

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

We noted no findings during our testing.

LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2007

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid</u>
2006-001	Noncompliance/Reportable Condition – Contrary to section 5705.39, the Township had appropriated amounts that exceeded total estimated revenues.	Fully corrected.	



Mary Taylor, CPA
Auditor of State

LIBERTY TOWNSHIP

BUTLER COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 13, 2010**