

**LIBERTY TOWNSHIP  
BUTLER COUNTY, OHIO  
REGULAR AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2009**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Liberty Township, Butler County, prepared by Cassidy Schiller & Associates Inc., for the audit period January 1, 2009 through December 31, 2009. 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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

April 14, 2011

**This Page is Intentionally Left Blank.**

**Liberty Township  
Butler County, Ohio  
For the Year Ended December 31, 2009**

**Table of Contents**

Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	2
Statement of Net Assets – Modified Cash Basis .....	8
Statement of Activities – Modified Cash Basis .....	9
Statement of Modified Cash Basis Assets and Fund Balances - Governmental Funds .....	10
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances - Governmental Funds .....	11
Statement of Fiduciary Net Assets – Modified Cash Basis Fiduciary Fund .....	12
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis Fiduciary Fund .....	13
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund .....	14
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – Fire Fund .....	15
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – Police Fund .....	16
Notes to the Financial Statements .....	17
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	32
Schedule of Findings and Responses .....	34
Schedule of Prior Audit Findings .....	35

INDEPENDENT AUDITOR'S REPORT

To the Township Trustees  
Liberty Township, Butler County, Ohio



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, as of and for the year ended December 31, 2009, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Liberty Township, Butler County, Ohio'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. 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 2, Liberty Township, Butler County, Ohio, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Butler County, Ohio, as of December 31, 2009, and the respective changes in financial position—modified cash basis, and the respective budgetary fund comparison for the General, Fire and Police funds, thereof and for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2011, 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* and should be considered in assessing the value of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A stylized, handwritten-style logo for CSA, consisting of the letters 'CSA' in a cursive font.

January 25, 2011  
CERTIFIED PUBLIC ACCOUNTANTS

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



Liberty Township, Butler County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
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, 2009, within the limitations of the Township's modified cash basis 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 2009 are as follows:

During 2009, the Township commenced construction of a new fire station, which replaced one of the fire stations that was built in the early 1950's. This project also included an additional salt storage facility that was built behind the new fire station, which will help to improve the operation of treating the roads during the winter snowfall. Both of these projects were near completion by the end of 2009.

The Township passed a police levy in 2009, which was a 3 mill replacement levy. This levy replaced a 3 mill levy that originated back in 2000. This levy helps pay for the services that the Butler County Sheriff office deputies provide, through a contracted agreement with the Township.

Net assets of governmental activities decreased \$3,012,645 or 16 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Capital Project fund, which is due to the construction payments made for the new fire station and additional salt storage facility.

The Township's general receipts are primarily property and other local taxes. These receipts represent \$12,810,750 or 79 percent, of the total cash received for governmental activities during the year.

The Township had \$19,326,692 in disbursements; only \$2,244,479 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.

Liberty Township, Butler County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

---

**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 2009, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at 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 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 governmental funds are the General Fund, the Fire Fund and the Police Fund.



Liberty Township, Butler County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

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 2009 compared to 2008 on a modified cash basis:

	(Table 1) Net Assets		
	Governmental Activities		
	2009	2008	Change
<b>Assets</b>			
General Government	<u>\$ 15,569,854</u>	<u>\$ 18,582,499</u>	<u>\$ (3,012,645)</u>
Capital Outlay	\$ 3,697,101	\$ 6,669,877	\$ (2,972,576)
Debt Service	4,602	17,934	(13,332)
Public Safety	6,004,296	6,587,427	(583,131)
Public Works	1,708,095	1,561,624	146,471
Other Purposes	155,087	157,870	(2,783)
Unrestricted	<u>4,000,673</u>	<u>3,587,967</u>	<u>412,706</u>
<b>Total Net Assets</b>	<u>\$ 15,569,854</u>	<u>\$ 18,582,499</u>	<u>\$ (3,012,645)</u>

As mentioned previously, net assets of governmental activities decreased \$3,012,644 or 16 percent during 2009. The primary reasons contributing to the decrease in cash balances were the construction payments made on the new fire station and salt storage barn. The Township received the revenue for the projects in 2008; however, the money was spent in 2009.

Liberty Township, Butler County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

Table 2 reflects the changes in net assets on a modified cash basis in 2009 and 2008.

(Table 2)  
**Changes in Net Assets**

	Governmental Activities	
	2009	2008
Receipts:		
Program Receipts:		
General Government	\$ 1,133,189	\$ 976,525
Public Safety	1,111,290	1,089,170
Public Works	2,244,479	2,065,695
Health		
Conservation-Recreation	12,810,750	11,909,818
Capital Outlay		
to Specific Programs	878,261	1,051,177
Sale of Bonds	-	8,929,180
Earnings on Investments	237,194	559,736
Miscellaneous	143,364	503,942
Total General Receipts	<u>14,069,569</u>	<u>22,953,853</u>
Total Receipts	<u>16,314,048</u>	<u>25,019,548</u>
Disbursements:		
General Governments	6,556,341	5,856,808
Public Safety	6,141,231	6,032,397
Public Works	1,173,364	1,208,982
Health	33,196	56,390
Conservation-Recreation	235,395	214,773
Capital Outlay	4,093,595	3,848,117
Debt Service:		
Principal Retirement	583,141	2,468,141
Interest and Fiscal Charges	510,430	449,277
Total Disbursements	<u>19,326,693</u>	<u>20,134,885</u>
Excess (Deficiency) Before Transfers	<u>(3,012,645)</u>	<u>4,884,663</u>
Increase (Decrease) in Net Assets	<u>(3,012,645)</u>	<u>4,884,663</u>
Net Assets at Beginning of Year	<u>18,582,499</u>	<u>13,697,836</u>
Net Assets at End of Year	<u>\$ 15,569,854</u>	<u>\$ 18,582,499</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 91 percent are property and other local taxes. Grants and entitlements not restricted to specific programs make up 6 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, 2009  
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 34 percent of the total disbursements.

Public safety represents the costs of police and fire protection, which makes up 32 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 21 percent of the total disbursements.

**Governmental Activities**

If you look at the Statement of Activities on page 9, 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 \$6,141,230 and 32 percent of all governmental disbursements. General Government also represents a significant cost, approximately 34 percent. The next three columns of the Statement entitled Program Cash 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 Receipts (Disbursements) 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 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
General Government	\$ 6,556,341	\$ (6,224,176)	\$ 5,856,808	\$ (5,525,756)
Public Safety	6,141,231	(5,090,701)	6,032,397	(5,095,211)
Public Works	1,173,364	(322,701)	1,208,982	(440,511)
Health	33,196	(23,521)	56,390	(48,411)
Conservation-Recreation	235,395	(233,949)	214,773	(193,766)
Capital Outlay	4,093,595	(4,093,595)	3,848,117	(3,848,117)
Debt Service:				
Principal Retirement	583,141	(583,141)	2,468,141	(2,468,141)
Interest and Fiscal Charges	510,430	(510,430)	449,277	(449,277)
<b>Total Expenses</b>	<b>\$ 19,326,693</b>	<b>\$ (17,082,214)</b>	<b>\$ 20,134,885</b>	<b>\$ (18,069,190)</b>

The dependence upon property tax and intergovernmental receipts is apparent as over 88 percent of governmental activities are supported through these general receipts.

Liberty Township, Butler County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

---

**The Government's Funds**

Information about the Township's major funds starts on page 10. These funds are accounted for using the modified cash basis of accounting. Total governmental funds had receipts of \$16,314,048. Total disbursements were \$19,326,692.

The fund balance of the General Fund increased \$412,706 from the prior year, primarily due to an increase in other taxes received (JEDD, RID, TIF revenues).

**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 \$1,719,565 while the actual disbursements came in at \$1,314,510, which put the Township under budget by 24 percent. The disbursements were less in all categories with conservation-recreation, capital outlay and general government disbursements having the most significant variance. The General Fund's final receipts were budgeted at \$2,349,715 while the actual receipts came in higher at \$2,407,258. The receipts were higher than budgeted due to additional property and other local tax revenue, and licenses, permits and fees revenue received.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Debt**

At December 31, 2009, the Township's outstanding debt totaled \$12,075,000 issued for various reasons. For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

**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 Joint Economic Development District 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.

**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, 2009*

---

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 6,633,116
Investments	<u>8,936,738</u>
	<u>\$ 15,569,854</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	3,697,101
Debt Service	4,602
Public Safety	6,004,296
Public Works	1,708,095
Other Purposes	155,087
Unrestricted	<u>4,000,673</u>
<i>Total Net Assets</i>	<u>\$ 15,569,854</u>

**Liberty Township**  
**Butler County, Ohio**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2009*

	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
<b>Governmental Activities</b>					
General Government	\$ 6,556,341	\$ 332,165	\$ -	\$ -	\$ (6,224,176)
Public Safety	6,141,231	320,943	729,587	-	(5,090,701)
Public Works	1,173,364	468,960	381,703	-	(322,701)
Health	33,196	9,675	-	-	(23,521)
Conservation-Recreation	235,395	1,446	-	-	(233,949)
Capital Outlay	4,093,595	-	-	-	(4,093,595)
Debt Service:					
Principal Retirement	583,141	-	-	-	(583,141)
Interest and Fiscal Charges	510,430	-	-	-	(510,430)
<b>Total</b>	<b>\$ 19,326,693</b>	<b>\$ 1,133,189</b>	<b>\$ 1,111,290</b>	<b>\$ -</b>	<b>\$ (17,082,214)</b>
<b>General Receipts</b>					
Property and Other Local Taxes Levied for:					
					\$ 6,414,901
					5,629,489
					766,360
					878,261
					237,194
					143,364
					<u>14,069,569</u>
					Increase in Net Assets (3,012,645)
					<u>Net Assets at Beginning of Year 18,582,499</u>
					<u>Net Assets at End of Year \$ 15,569,854</u>

**Liberty Township**  
**Butler County, Ohio**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2009*

	<u>General</u>	<u>Fire Fund</u>	<u>Police Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 1,103,935	\$ 1,093,428	\$ 640,258	\$ 3,795,495	\$ 6,633,116
Investments	2,886,738	2,270,000	1,375,500	2,394,500	8,936,738
	<u>\$ 4,000,673</u>	<u>\$ 3,363,428</u>	<u>\$ 2,015,758</u>	<u>\$ 6,189,995</u>	<u>\$ 15,569,854</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$ 27,127	\$ 448,848	\$ -	\$ -	\$ 475,975
Unreserved:					
General Fund	3,973,546	-	-	-	3,973,546
Special Revenue Funds	-	2,914,580	2,015,758	2,488,292	7,418,630
Debt Service Fund	-	-	-	4,602	4,602
Capital Projects Funds	-	-	-	3,697,101	3,697,101
<b>Total Fund Balances</b>	<u>\$ 4,000,673</u>	<u>\$ 3,363,428</u>	<u>\$ 2,015,758</u>	<u>\$ 6,189,995</u>	<u>\$ 15,569,854</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, 2009*

	General	Fire Fund	Police Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$ 1,020,818	\$ 4,026,781	\$ 1,602,708	\$ 8,160,443	\$ 12,810,750
Charges for Services	-	-	-	305,248	305,248
Licenses, Permits and Fees	166,937	6,405	9,290	148,839	331,471
Fines and Forfeitures	16,389	-	-	-	16,389
Intergovernmental	878,261	523,529	206,058	381,703	1,989,551
Special Assessments	2,890	-	-	466,070	488,980
Earnings on Investments	194,934	-	-	42,260	237,194
Miscellaneous	127,029	12,817	50	14,589	154,485
<b>Total Receipts</b>	<b>2,407,258</b>	<b>4,569,532</b>	<b>1,818,106</b>	<b>7,519,152</b>	<b>16,314,048</b>
<b>Disbursements</b>					
<b>Current:</b>					
General Government	965,181	-	-	5,591,160	6,556,341
Public Safety	-	4,151,612	1,922,410	67,209	6,141,231
Public Works	-	-	-	1,173,384	1,173,364
Health	18,267	-	-	14,929	33,196
Conservation-Recreation	235,076	-	-	319	235,395
Capital Outlay	68,859	608,441	-	3,416,295	4,093,595
<b>Debt Service:</b>					
Principal Retirement	-	-	-	583,141	583,141
Interest and Fiscal Charges	-	-	-	510,430	510,430
<b>Total Disbursements</b>	<b>1,287,383</b>	<b>4,760,053</b>	<b>1,922,410</b>	<b>11,356,847</b>	<b>19,326,693</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>1,119,875</b>	<b>(190,521)</b>	<b>(104,304)</b>	<b>(3,837,695)</b>	<b>(3,012,845)</b>
<b>Other Financing Sources (Uses)</b>					
Sale of Bonds	-	-	-	-	-
Sale of Notes	-	-	-	-	-
Transfers In	-	-	-	1,228,619	1,228,619
Transfers Out	(667,759)	(273,365)	-	(287,495)	(1,228,619)
Advances In	27,000	-	-	66,410	93,410
Advances Out	(66,410)	-	-	(27,000)	(93,410)
<b>Total Other Financing Sources (Uses)</b>	<b>(707,169)</b>	<b>(273,365)</b>	<b>-</b>	<b>980,534</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>412,706</b>	<b>(483,886)</b>	<b>(104,304)</b>	<b>(2,857,161)</b>	<b>(3,012,645)</b>
<b>Fund Balances at Beginning of Year</b>	<b>3,587,967</b>	<b>3,827,314</b>	<b>2,120,062</b>	<b>9,047,156</b>	<b>18,582,499</b>
<b>Fund Balances at End of Year</b>	<b>\$ 4,000,673</b>	<b>\$ 3,363,428</b>	<b>\$ 2,015,758</b>	<b>\$ 6,189,995</b>	<b>\$ 15,569,854</b>



**Liberty Township**  
**Butler County, Ohio**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Fund*  
*December 31, 2009*

---

	<u>Private Purpose Trust</u>
<b>Assets</b>	
Investments	<u>\$ 13,157</u>
<b>Net Assets</b>	
Other Purposes	<u>\$ 13,157</u>

**Liberty Township**  
**Butler County, Ohio**  
*Statement of Changes in Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Fund*  
*For the Year Ended December 31, 2009*

---

	Private Purpose Trust
<b>Additions</b>	
Interest	\$ 49
<b>Deductions</b>	-
Change in Net Assets	49
Net Assets at Beginning of Year	13,108
Net Assets at End of Year	\$ 13,157

**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, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 784,010	\$ 784,010	\$ 1,020,818	\$ 236,808
Licenses, Permits and Fees	132,000	132,000	166,937	34,937
Fines and Forfeitures	16,000	16,000	16,389	389
Intergovernmental	825,205	825,205	878,261	53,056
Special Assessments	-	-	2,890	2,890
Earnings on Investments	450,000	450,000	194,934	(255,066)
Miscellaneous	142,500	142,500	127,029	(15,471)
<i>Total Receipts</i>	<u>2,349,715</u>	<u>2,349,715</u>	<u>2,407,258</u>	<u>57,543</u>
<b>Disbursements</b>				
Current:				
General Government	1,233,228	1,228,706	969,721	258,985
Health	20,000	20,000	18,267	1,733
Conservation-Recreation	294,750	294,750	235,076	59,674
Capital Outlay	149,000	149,000	91,446	57,554
<i>Total Disbursements</i>	<u>1,696,978</u>	<u>1,692,456</u>	<u>1,314,510</u>	<u>377,946</u>
<i>Excess of Receipts Over Disbursements</i>	652,737	657,259	1,092,748	435,489
<b>Other Financing Uses</b>				
Transfers Out	(640,000)	(667,852)	(667,759)	93
Advances In	31,500	31,500	27,000	(4,500)
Advances Out	(66,410)	(66,410)	(66,410)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(674,910)</u>	<u>(702,762)</u>	<u>(707,169)</u>	<u>(4,407)</u>
<i>Net Change in Fund Balance</i>	(22,173)	(45,503)	385,579	431,082
<i>Fund Balance at Beginning of Year</i>	3,560,840	3,560,840	3,560,840	-
<i>Prior Year Encumbrances Appropriated</i>	<u>27,127</u>	<u>27,127</u>	<u>27,127</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 3,565,794</u>	<u>\$ 3,542,464</u>	<u>\$ 3,973,546</u>	<u>\$ 431,082</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 3,815,575	\$ 3,815,575	\$ 4,026,781	\$ 211,206
Licenses, Permits and Fees	12,000	12,000	6,405	(5,595)
Intergovernmental	505,008	505,008	523,529	18,521
Miscellaneous	-	-	12,817	12,817
<i>Total Receipts</i>	<u>4,332,583</u>	<u>4,332,583</u>	<u>4,569,532</u>	<u>236,949</u>
<b>Disbursements</b>				
Public Safety	4,460,900	4,463,900	4,199,864	264,036
Capital Outlay	73,000	223,000	1,009,037	(786,037)
<i>Total Disbursements</i>	<u>4,533,900</u>	<u>4,686,900</u>	<u>5,208,901</u>	<u>(522,001)</u>
<i>Excess of Receipts Under Disbursements</i>	(201,317)	(354,317)	(639,369)	(285,052)
<b>Other Financing Uses</b>				
Transfers Out	<u>(407,528)</u>	<u>(404,528)</u>	<u>(273,365)</u>	<u>131,163</u>
<i>Net Change in Fund Balance</i>	(608,845)	(758,845)	(912,734)	(153,889)
<i>Fund Balance at Beginning of Year</i>	3,378,467	3,378,467	3,378,467	-
Prior Year Encumbrances Appropriated	<u>448,847</u>	<u>448,847</u>	<u>448,847</u>	-
<i>Fund Balance at End of Year</i>	<u>\$ 3,218,469</u>	<u>\$ 3,068,469</u>	<u>\$ 2,914,580</u>	<u>\$ (153,889)</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, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 1,530,511	\$ 1,530,511	\$ 1,602,708	\$ 72,197
Licenses, Permits and Fees	5,000	5,000	9,290	4,290
Intergovernmental	198,775	198,775	206,058	7,283
Miscellaneous	-	-	50	50
<i>Total Receipts</i>	<u>1,734,286</u>	<u>1,734,286</u>	<u>1,818,106</u>	<u>83,820</u>
<b>Disbursements</b>				
Public Safety	1,902,400	1,928,900	1,922,409	6,491
Capital Outlay	5,000	4,000	-	4,000
<i>Total Disbursements</i>	<u>1,907,400</u>	<u>1,932,900</u>	<u>1,922,409</u>	<u>10,491</u>
<i>Net Change in Fund Balance</i>	(173,114)	(198,614)	(104,303)	94,311
<i>Fund Balance at Beginning of Year</i>	2,120,062	2,120,062	2,120,062	-
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Fund Balance at End of Year</i>	<u>\$ 1,946,948</u>	<u>\$ 1,921,448</u>	<u>\$ 2,015,759</u>	<u>\$ 94,311</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.

**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; or (3) the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or (4) 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 (see Note 7).

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 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, 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.

**Note 2 – Summary of Significant Accounting Policies** (continued)

**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, 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 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 divided into two categories, governmental and fiduciary.

**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.

**Note 2 – Summary of Significant Accounting Policies** (continued)

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.

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 Trustees.

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 Trustees during the year.



**Note 2 – Summary of Significant Accounting Policies** (continued)

**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.

During 2009, 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 Global Asset Management on December 31, 2009.

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 2009 were \$194,934, which includes \$174,447 assigned from other Township funds.

**F. Interfund Receivables/Payables**

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**G. 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.

**H. 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 Township Administrator's pension benefits as approved by the Township Trustees.

**I. 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.

**J. 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

Liberty Township, Butler County, Ohio  
Notes to the Financial Statements  
For the Year Ended December 31, 2009

maintaining road and bridges, maintaining fire and life squad services, and maintaining police services.

**Note 2 – Summary of Significant Accounting Policies** (continued)

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.

**K. 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.

**L. 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.

**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 – Budget Basis presented for the General, Fire and Police Funds 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 cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements for the General, Fire and Police fund.

	<u>Net Change in Fund Balance</u>		
	<u>General</u>	<u>Fire</u>	<u>Police</u>
Modified Cash Basis	\$ 412,706	\$ (463,886)	\$ (104,303)
Adjustment for Encumbrances	(27,127)	(448,848)	-
Budget Basis	<u>\$ 385,579</u>	<u>\$ (912,734)</u>	<u>\$ (104,303)</u>

**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.

**Note 4 – Deposits and Investments** (continued)

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;
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;
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.

Liberty Township, Butler County, Ohio  
Notes to the Financial Statements  
For the Year Ended December 31, 2009

**Note 4 – Deposits and Investments** (continued)

**Deposits**

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.

**Investments**

As of December 31, 2009, the Township had the following investments:

Title	Carrying Value	< 1 Year
Federal Home Loan Bank - notes	\$ 1,124,371	\$ 1,124,371
Federal Home Loan Mortgage Corporation - discount notes	6,224,049	6,224,049
United States Treasury Bills	1,546,596	1,546,596
First American Treasury Money Market Fund	41,722	41,722
	<u>\$ 8,936,738</u>	<u>\$ 8,936,738</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 that 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 Bank Discount Notes, The Federal Home Loan Mortgage Corporation Discount Notes, and The Federal National Mortgage Association Notes represent 13 percent, 12 percent, 33 percent and 31 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 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

Liberty Township, Butler County, Ohio  
Notes to the Financial Statements  
For the Year Ended December 31, 2009

---

**Note 5 – Property Taxes** (continued)

2009 real property taxes are levied after October 1, 2009 on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2009 real property taxes are collected in and intend to finance 2010.

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. 2009 public utility property taxes which became a lien on December 31, 2008 are levied after October 1, 2009, and are collected in 2010 with real property taxes.

2009 tangible property taxes are levied after October 1, 2008, on the value as of December 31, 2008. Collections are made in 2009. Tangible personal property assessments have been phased out beginning in the tax year 2009 – the assessment percentage for all property including inventory has been reduced to 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, 2009, was \$11.09 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential	\$ 770,071,050
Agricultural	16,519,830
Commercial/Industrial/Mineral	60,004,450
<u>Public Utility Property</u>	
Real	80,360
Personal	13,972,330
Total Assessed Value	<u>\$ 860,648,020</u>

**Note 6 – Interfund Receivables/Payables**

There were no interfund balances as of December 31, 2009.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

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

During 2009 the Township contracted with 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.

Liberty Township, Butler County, Ohio  
Notes to the Financial Statements  
For the Year Ended December 31, 2009

---

**Note 7 – Risk Management** (continued)

Information provided in this note is the latest information available. The coverage provided is as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Legal Liability	\$4,000,000 per occurrence, \$0 deductible
Automobile Liability	\$4,000,000 per occurrence, \$0 deductible
Wrongful Acts	\$4,000,000 per occurrence, \$1,000 deductible
Automobile Physical Damage	Various
Property	Various

**Casualty Insurance**

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 occurrences on or after January 1, 2006, OTARMA retains casualty risk up to \$350,000 per claim, 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 \$13,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess funds available coverage up to \$5,000,000 per year, subject to the annual aggregate of \$10,000,000.

**Property Insurance**

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pools.

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 OTARMA member.

Liberty Township, Butler County, Ohio  
Notes to the Financial Statements  
For the Year Ended December 31, 2009

---

**Note 7 – Risk Management** (continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

<u>Casualty &amp; Property Coverage</u>	<u>2009</u>	<u>2008</u>
Assets	\$ 38,928,088	\$ 40,737,740
Liabilities	(12,880,766)	(12,981,818)
Net Assets - unrestricted	<u>\$ 26,047,322</u>	<u>\$ 27,755,922</u>

At December 31, 2009 and 2008 respectively, liabilities noted above include approximately \$12.0 million and \$10.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.5 million and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008 respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

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. The Township's contribution to OTARMA for the years ending December 31, 2009 and 2008 were \$38,875 and \$32,690, respectively.

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

Plan Description – The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans.

1. The Traditional Pension Plan- a cost-sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan- 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.
3. The Combined Plan- a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

**Note 8 – Defined Benefit Pension Plan** (continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional pension 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. Interested parties may obtain a copy 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 Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

For the year ended December 31, 2009, members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The Township's contribution rate for 2009 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Township's contribution was 17.63 percent of covered payroll. For the period of January 1 through March 31, a portion of the Township's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009 this amount decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Township of 14.0 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 pension and combined plans for the year ended December 31, 2009, 2008, and 2007 were \$93,699, \$89,727, and \$78,007, respectively. The full amount has been contributed for 2009, 2008 and 2007. Contributions to the member-directed plan for 2009 were \$2,301 made by the Township and \$1,644 made by plan members.

**B. Ohio Police and Fire Pension Fund**

**Plan Description** – 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** – Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters. Contribution rates are established by State statute. The Township's contributions to OP&F for the years ending December 31, 2009, 2008, and 2007 were \$429,829, \$268,473, and \$212,241, respectively, or 75 percent of the required contributions for 2009, 77 percent of the required contribution for 2008, and 73 percent of required contributions for 2007.



**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 mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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 postemployment healthcare plan was established under, and administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.0 percent of covered payroll (17.63 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which is allocated to fund postemployment healthcare was 7.0 percent of covered payroll from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependants and selected coverage.

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$67,862, \$89,727, and \$51,382, respectively; 100 percent has been contributed for 2009, 2008, and 2007.

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 for state and local employers increased as of January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final rate increase on January 1, 2011. These rate increases 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 and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

**Note 9 – Postemployment Benefits** (continued)

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.

**Funding Policy** – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). 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 Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the Section 115 trust and Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, 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 115 and 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 postemployment healthcare benefits for firefighters were \$120,838 for the year ended December 31, 2009, \$105,055 for the year ended December 31, 2008, and \$80,147 for the year ended December 31, 2007. The full amount has been contributed for 2009, 2008, and 2007.

Liberty Township, Butler County, Ohio  
Notes to the Financial Statements  
For the Year Ended December 31, 2009

**Note 10 – Debt**

A summary of the Township's debt activity for the year ended December 31, 2009, follows:

Governmental Activities	Interest Rate	Balance as of 12/31/08	Additions	Reductions	Balance as of 12/31/09	Due in one year
<b>General Obligation Bonds</b>						
Road Garage	4.2%	\$1,035,000	\$ -	\$ 65,000	\$ 970,000	\$ 70,000
Fire Station #113	3.0%	1,620,000	-	80,000	1,540,000	85,000
Woodland View Park	4.0%	760,000	-	80,000	680,000	85,000
747/Princeton Intersection	3.0%	2,045,000	-	-	2,045,000	70,000
Kyles Station/St. Rt. 747 Intersection	3.0%	3,135,000	-	-	3,135,000	110,000
Salt Storage Facility	3.0%	305,000	-	10,000	295,000	10,000
Fire Station #111	3.0%	3,535,000	-	125,000	3,410,000	130,000
<b>Total General Obligation Bonds</b>		<b>12,435,000</b>	<b>-</b>	<b>360,000</b>	<b>12,075,000</b>	<b>560,000</b>
<b>Bond Anticipation Notes</b>						
Woodland View Park	6.0%	223,141	-	223,141	-	-
<b>Total Bond Anticipation Notes</b>		<b>223,141</b>	<b>-</b>	<b>223,141</b>		
<b>Total Governmental Activities</b>		<b>\$ 12,658,141</b>	<b>\$ -</b>	<b>\$ 583,141</b>	<b>\$ 12,075,000</b>	<b>\$ 560,000</b>

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.

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

<b>General Obligation Bonds</b>		
Year	Principal	Interest
2010	\$ 560,000	\$ 484,195
2011	570,000	464,801
2012	595,000	443,954
2013	620,000	421,680
2014	650,000	398,368
2015-2019	3,280,000	1,597,074
2020-2024	3,095,000	923,035
2025-2029	2,705,000	321,715
<b>Totals</b>	<b>\$ 12,075,000</b>	<b>\$ 5,054,822</b>

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 amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2009, were an overall debt margin of \$76,502,338 and an unvoted debt margin of \$58,474,846

Liberty Township, Butler County, Ohio  
Notes to the Financial Statements  
For the Year Ended December 31, 2009

---

**Note 11 – Interfund Transfers**

During 2009 the following transfers were made:

<u>Transfers From:</u>	<u>Transfers to: Other Governmental</u>
General	\$ 667,759
Fire	273,365
Other Governmental	<u>287,496</u>
	<u>\$ 1,228,620</u>

**Transfers From/To Other Funds**

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to use unrestricted receipts collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers to the Other Governmental Funds are related to the transfer of receipts for the principal and interest payments for required debt service payments.

**Note 12- Public Entity Risk Pool**

**Ohio Township Association Risk Management Authority**

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool. For more information on OTARMA, see Note 7.

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



To the Township Trustees  
Liberty Township, Butler County, Ohio

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, as of and for the year ended December 31, 2009, which collectively comprise Liberty Township, Butler County, Ohio's basic financial statements and have issued our report thereon dated January 25, 2011. 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 Liberty Township, Butler County, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Liberty Township, Butler County, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Liberty Township, Butler County, Ohio's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Liberty Township, Butler County, Ohio'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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Liberty Township, Butler County, Ohio, in a separate letter dated January 25, 2011.



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

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

January 25, 2011

**LIBERTY TOWNSHIP  
BUTLER COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2009  
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, 2009**

There were no findings for the year ended December 31, 2008.





# Dave Yost • 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  
MAY 5, 2011**