

**LIBERTY TOWNSHIP
LICKING COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005

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Mary Taylor, CPA
Auditor of State

Board of Trustees
Liberty Township
4900 Dutch Lane Rd.
Johnstown, OH 43031

We have reviewed the *Independent Auditors' Report* of Liberty Township, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2005 to December 31, 2005. 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

January 8, 2007

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**LIBERTY TOWNSHIP
LICKING COUNTY**

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INDEPENDENT AUDITORS' REPORT

Liberty Township
Licking County
5662 Sportsman Club Road
Johnstown, Ohio 43031

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Licking County, Ohio (the Township) as of and for the year ended December 31, 2005, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty Township, Licking County, Ohio as of December 31, 2005, and the respective changes in cash basis financial position and the respective budgetary comparisons of the General, Gas Tax, Road & Bridge, and Fire District Funds thereof for the year then ended in conformity with the accounting basis Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In addition, as discussed in Note 3, the Township adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosure*.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Liberty Township
Licking County
Independent Auditors' Report

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2006 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Wilson, Shuman & Snow, Inc.

November 2, 2006

LIBERTY TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

This management's discussion and analysis of the Liberty Township, Licking County, Ohio (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's 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 2005 are as follows:

- Net assets of governmental activities increased \$185,713, or 67 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which realized increased property tax and intergovernmental receipts from the prior year.
- The Township's general receipts are primarily property tax receipts. These receipts represent 44 percent of the total cash received for governmental activities during the year. Property tax receipts increased 6 percent from 2004.
- The Township's other major funds consisted of the Gas Tax, Road & Bridge, Fire District funds, and Issue II funds. These funds experienced increases in fund balance of \$39,835, \$58,821, and \$23,091, respectively, from the prior year which was attributed to increases in property taxes or intergovernmental receipts.

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 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, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of its cash basis accounting. The statement of net assets presents the cash balances 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 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 nonfinancial 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 revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the Township into the following activity:

Governmental activities: Most of the Township's basic services are reported here, including fire, streets and cemeteries. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

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

LIBERTY TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

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, Gas Tax, Road & Bridge, Fire District, and Issue II Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township, which for the Township is for cemetery bequests. 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 2005 compared to 2004 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$ 464,583	\$ 278,870
Total Assets	464,583	278,870
Net Assets		
Restricted for:		
Street Construction and Repair	169,826	71,170
Fire	60,031	36,940
Other Purposes	26,894	23,499
Unrestricted	207,832	147,261
Total Net Assets	\$464,583	\$278,870

LIBERTY TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

As mentioned previously, net assets of governmental activities increased \$185,713 or 67 percent during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- An increase of 6% in property tax receipts which primarily relates to the collection of delinquencies.
- Increases in intergovernmental receipts received which was primarily through Federal Emergency Management Agency and Issue II monies.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005
Cash Receipts:	
Program Receipts:	
Charges for Services and Sales	\$ 19,993
Operating Grants and Contributions	149,563
Capital Grants and Contributions	215,565
Total Program Receipts	385,121
General Receipts:	
Property and Other Local Taxes	371,627
Grants and Entitlements Not Restricted to Specific Programs	81,117
Interest	3,916
Miscellaneous	3,775
Total General Receipts	460,435
Total Cash Receipts	845,556
Cash Disbursements:	
General Government	101,799
Public Safety	193,110
Public Works	109,995
Health	13,644
Capital Outlay	239,517
Debt Service	1,778
Total Cash Disbursements	659,843
Change in Net Assets	185,713
Net Assets, January 1, 2005	278,870
Net Assets, December 31, 2005	\$ 464,583

LIBERTY TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Program receipts represent only 46 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as Issue II, motor vehicle license and gas tax money, license permit and inspection fees.

General receipts represent 54 percent of the Township's total receipts, and of this amount, over 81 percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (18 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for general government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the fiscal officer and trustees for payroll and benefit costs. General government represents 15 percent of total disbursements.

Public safety disbursements represent the costs for fire contracts with Monroe and St. Albans Townships. Public safety represents 29 percent of total disbursements.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and public safety, which account for 15 and 29 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005
	<u>2005</u>	<u>2005</u>
General Government	\$ 101,799	\$ 18,275
Public Safety	193,110	193,110
Public Works	109,995	26,623
Health	13,644	10,984
Capital Outlay	239,517	23,952
Debt Service	1,778	1,778
Total Expenses	<u>\$ 659,843</u>	<u>\$ 274,722</u>

The dependence upon property tax receipts is apparent as over 44 percent of governmental activities are supported through these general receipts.

LIBERTY TOWNSHIP, LICKING COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

The Township's Funds

Total governmental funds had receipts of \$845,556 and disbursements of \$659,843. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$60,571 as the result of increased property tax and intergovernmental receipts.

General Fund receipts were higher than disbursements by \$60,571 indicating that the General Fund is avoiding a deficit spending situation.

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.

During 2005, the Township did not amend its General Fund budget. Final budgeted receipts were lower than actual receipts by \$47,355.

Final disbursements were budgeted at \$249,623 while actual disbursements were \$109,743. The Township kept spending to necessities as demonstrated by the variance of \$139,880.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2005, the Township's outstanding debt included \$15,105 in an Ohio Public Works Commission loan issued for Stone Quarry Road resurfacing project. See Note 11 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, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. We will continue to monitor receipts and disbursements to help avoid deficit spending situations.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Heather Berry, Fiscal Officer, Liberty Township, 5662 Sportsman Club Road, Johnstown, Ohio 43031.

**LIBERTY TOWNSHIP
LICKING COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2005*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$464,583</u>
<i>Total Assets</i>	<u><u>\$464,583</u></u>
Net Assets	
Restricted for:	
Street Construction and Repair	\$169,826
Fire	60,031
Other Purposes	26,894
Unrestricted	<u>207,832</u>
<i>Total Net Assets</i>	<u><u>\$464,583</u></u>

See accompanying notes to the basic financial statements

LIBERTY TOWNSHIP
LICKING COUNTY

Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts				Net (Cash Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Cash Receipts, and Changes in Net Assets
Governmental Activities					
General Government	\$101,799	\$17,333	\$66,191	\$0	(18,275)
Public Safety	193,110	0	0	0	(193,110)
Public Works	109,995	0	83,372	0	(26,623)
Health	13,644	2,660	0	0	(10,984)
Capital Outlay	239,517	0	0	215,565	(23,952)
Debt Service	1,778	0	0	0	(1,778)
Total	\$659,843	\$19,993	\$149,563	\$215,565	(274,722)
		General Receipts			
		Property Taxes Levied for:			
		General Purposes			371,627
		Grants and Entitlements not Restricted to Specific Programs			81,117
		Interest			3,916
		Miscellaneous			3,775
		<i>Total General Cash Receipts</i>			<u>460,435</u>
		Change in Net Assets			185,713
		<i>Net Assets Beginning of Year</i>			<u>278,870</u>
		<i>Net Assets End of Year</i>			<u>\$464,583</u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP
LICKING COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005*

	<u>General</u>	<u>Gas Tax</u>	<u>Road & Bridge</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$207,832	\$87,471	\$82,355	\$60,031	\$26,894	\$464,583
<i>Total Assets</i>	<u>\$207,832</u>	<u>\$87,471</u>	<u>\$82,355</u>	<u>\$60,031</u>	<u>\$26,894</u>	<u>\$464,583</u>
Fund Balances						
Unreserved:						
Reported in:						
General Fund	207,832	0	0	0	0	207,832
Special Revenue Funds	0	87,471	82,355	60,031	26,894	256,751
<i>Total Fund Balances</i>	<u>\$207,832</u>	<u>\$87,471</u>	<u>\$82,355</u>	<u>\$60,031</u>	<u>\$26,894</u>	<u>\$464,583</u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005*

	General	Gas Tax	Road & Bridge	Fire District	Issue II	Other Governmental Funds	Total Governmental Funds
Cash Receipts							
Property and Other Local Taxes	\$75,571	\$0	\$104,206	\$191,850	\$0	\$0	\$371,627
Licenses, Permits and Fees	16,683	0	0	0	0	650	\$17,333
Intergovernmental	72,204	73,230	26,857	24,351	215,565	34,038	\$446,245
Interest	3,154	624	0	0	0	138	\$3,916
Other Local Revenues	2,702	0	1,073	0	0	2,660	6,435
<i>Total Cash Receipts</i>	<u>170,314</u>	<u>73,854</u>	<u>132,136</u>	<u>216,201</u>	<u>215,565</u>	<u>37,486</u>	<u>845,556</u>
Cash Disbursements							
Current:							
General Government	101,799	0	0	0	0	0	101,799
Public Safety	0	0	0	193,110	0	0	193,110
Public Works	0	34,019	47,585	0	0	28,391	109,995
Health	7,944	0	0	0	0	5,700	13,644
Capital Outlay	0	0	23,952	0	215,565	0	239,517
Debt Service:							
Principal Retirement	0	0	1,778	0	0	0	1,778
<i>Total Cash Disbursements</i>	<u>109,743</u>	<u>34,019</u>	<u>73,315</u>	<u>193,110</u>	<u>215,565</u>	<u>34,091</u>	<u>659,843</u>
<i>Net Change in Fund Balances</i>	60,571	39,835	58,821	23,091	0	3,395	185,713
<i>Fund Balances Beginning of Year</i>	<u>147,261</u>	<u>47,636</u>	<u>23,534</u>	<u>36,940</u>	<u>0</u>	<u>23,499</u>	<u>278,870</u>
<i>Fund Balances End of Year</i>	<u><u>\$207,832</u></u>	<u><u>\$87,471</u></u>	<u><u>\$82,355</u></u>	<u><u>\$60,031</u></u>	<u><u>\$0</u></u>	<u><u>\$26,894</u></u>	<u><u>\$464,583</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Balance - Budget and Actual -(Budgetary Basis)
General Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Cash Receipts				
Property and Other Local Taxes	\$54,559	\$54,559	\$75,571	\$21,012
Licenses, Permits and Fees	12,044	12,044	16,683	4,639
Intergovernmental	52,128	52,128	72,204	20,076
Interest	2,277	2,277	3,154	877
Other Local Revenues	1,951	1,951	2,702	751
<i>Total Cash Receipts</i>	<u>122,959</u>	<u>122,959</u>	<u>170,314</u>	<u>47,355</u>
Cash Disbursements				
Current:				
General Government	240,923	240,923	101,799	139,124
Health	8,700	8,700	7,944	756
<i>Total Cash Disbursements</i>	<u>249,623</u>	<u>249,623</u>	<u>109,743</u>	<u>139,880</u>
<i>Net Change in Fund Balance</i>	(126,664)	(126,664)	60,571	187,235
<i>Fund Balance Beginning of Year</i>	<u>147,261</u>	<u>147,261</u>	<u>147,261</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$20,597</u></u>	<u><u>\$20,597</u></u>	<u><u>\$207,832</u></u>	<u><u>\$187,235</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Balance - Budget and Actual -(Budgetary Basis)
Gas Tax Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Cash Receipts				
Intergovernmental	\$74,883	\$74,883	\$73,230	(\$1,653)
Interest	638	638	624	(14)
<i>Total Cash Receipts</i>	<u>75,521</u>	<u>75,521</u>	<u>73,854</u>	<u>(1,667)</u>
Cash Disbursements				
Current:				
Public Works	81,000	81,000	34,019	46,981
<i>Total Cash Disbursements</i>	<u>81,000</u>	<u>81,000</u>	<u>34,019</u>	<u>46,981</u>
<i>Net Change in Fund Balance</i>	(5,479)	(5,479)	39,835	45,314
<i>Fund Balance Beginning of Year</i>	<u>47,636</u>	<u>47,636</u>	<u>47,636</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$42,157</u></u>	<u><u>\$42,157</u></u>	<u><u>\$87,471</u></u>	<u><u>\$45,314</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Balance - Budget and Actual -(Budgetary Basis)
Road & Bridge Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Cash Receipts				
Property and Other Local Taxes	\$94,354	\$94,354	\$104,206	\$9,852
Intergovernmental	24,318	24,318	26,857	2,539
Other Local Revenues	972	972	1,073	101
<i>Total Cash Receipts</i>	<u>119,644</u>	<u>119,644</u>	<u>132,136</u>	<u>12,492</u>
Cash Disbursements				
Current:				
Public Works	113,964	113,964	47,585	66,379
Capital Outlay	24,000	24,000	23,952	48
Debt Service:				
Principal Retirement	1,778	1,778	1,778	0
<i>Total Cash Disbursements</i>	<u>139,742</u>	<u>139,742</u>	<u>73,315</u>	<u>66,427</u>
<i>Net Change in Fund Balance</i>	(20,098)	(20,098)	58,821	78,919
<i>Fund Balance Beginning of Year</i>	<u>23,534</u>	<u>23,534</u>	<u>23,534</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$3,436</u></u>	<u><u>\$3,436</u></u>	<u><u>\$82,355</u></u>	<u><u>\$78,919</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Balance - Budget and Actual -(Budgetary Basis)
Fire District Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Cash Receipts				
Property and Other Local Taxes	\$189,136	\$189,136	\$191,850	\$2,714
Intergovernmental	24,007	24,007	24,351	344
<i>Total Cash Receipts</i>	<u>213,143</u>	<u>213,143</u>	<u>216,201</u>	<u>3,058</u>
Cash Disbursements				
Current:				
Public Safety	203,700	203,700	193,110	10,590
<i>Total Cash Disbursements</i>	<u>203,700</u>	<u>203,700</u>	<u>193,110</u>	<u>10,590</u>
<i>Net Change in Fund Balance</i>	9,443	9,443	23,091	13,648
<i>Fund Balance Beginning of Year</i>	<u>36,940</u>	<u>36,940</u>	<u>36,940</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$46,383</u></u>	<u><u>\$46,383</u></u>	<u><u>\$60,031</u></u>	<u><u>\$13,648</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP
LICKING COUNTY**

*Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2005*

	<u>Private Purpose Trust</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,448
<i>Total Assets</i>	<u>\$1,448</u>
Net Assets	
Unrestricted	<u>\$1,448</u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP
LICKING COUNTY**

*Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Fund
For the Year Ended December 31, 2005*

	<u>Private Purpose Trust</u>
Additions	
Interest	26
<i>Total Additions</i>	<u>26</u>
Change in Net Assets	26
Net Assets - Beginning of Year	<u>1,422</u>
Net Assets - End of Year	<u><u>\$1,448</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Note 1 – Reporting Entity

Liberty Township, Licking County, Ohio (the Township), 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 reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

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 Monroe and St. Albans Townships for fire and emergency medical service protection. Police protection is provided by Licking County Sheriff.

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 does not have any component units.

The Township participates in a public entity risk pool. See Note 8 to the financial statements for additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

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

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

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. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. The Township does not have business-type activities.

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

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. Fiduciary funds are reported by type.

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 nonexchange transactions as governmental funds. The Township's major governmental fund are the General, Gas Tax, Road & Bridge, Fire District, and Issue II Funds. The following is a description of the Township's major governmental funds:

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

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

Gas Tax Fund- This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Road & Bridge Fund- This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Fire District Fund- This fund receives property tax money levied for contracted fire protection services to Township residents.

Issue II Fund- This fund receives grant monies from the State of Ohio for street construction maintenance and repair.

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

Fiduciary Funds

The Townships fiduciary fund includes a private purpose trust fund. 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 fund receives gifts and donations from benefactors and uses the interest earned on the fund balance for improving the Township cemeteries.

C. Basis of Accounting

The Township's financial statements are prepared using the 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 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 expenses and liabilities) are not recorded in these financial statements.

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

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, function, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the 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 certificated 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

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 in Pooled Cash and Cash Equivalents".

During 2005, the Township had an interest bearing checking account.

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 2005 was \$3,154.

F. Restricted Assets

Cash is reported as restricted when limitations on its use changes the nature or normal understanding of its use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township did not have restricted assets at December 31, 2005.

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. 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.

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 cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-Term Obligations

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

M. 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 cemeteries and street construction and repair.

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.

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (continued)

N. Fund Balance Reserves

The Township reserves any portion of fund balances 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. The Township did not have fund balance reserves at December 31, 2005.

O. 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.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Township did not report extraordinary or special items during 2005.

Note 3 – Change in Basis of Accounting and in Accounting Principle

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has revised its financial statement presentation in accordance with Governmental Accounting Standards Board Statement No. 34. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

In March of 2003 GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures* (an amendment of GASB Statement No. 3). This statement amends Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principle areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that included investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The implementation of this GASB had no impact on the financial position of the Township at December 31, 2005.

Note 4 – Compliance

The Township had expenditures in excess of appropriations contrary to Ohio Revised Code Section 5705.41(B). In addition, the Township had appropriations in excess of estimated resources contrary to Ohio Revised Code Section 5705.39.

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, cash disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General, Gas Tax, Road & Bridge, and Fire District funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There are no differences between the budgetary basis and the cash basis based upon the Township not reporting outstanding year end encumbrances which would be treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) or reporting outstanding year end advances which would be treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis).

Note 6 – Deposits

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

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

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

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

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

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

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 6 – Deposits (continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$366,031 of the Township's bank balance of \$466,031 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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

The Township's interest bearing checking account is not subject to concentration of credit risk, interest rate risk, or credit risk based on the nature of this account.

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 7 – Property Taxes (continued)

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$10.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$49,449,850
Agriculture	9,238,820
Commercial/Industrial/Mineral	1,467,020
Public Utility Property	
Personal	1,552,670
Tangible Personal Property	276,610
Total Assessed Value	<u><u>\$61,984,970</u></u>

Note 8 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per 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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 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.

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 8 – Risk Management (continued)

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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must 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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 8 – Risk Management (continued)

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment.

Note 9 – Defined Benefit Pension Plan

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) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The employer contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$14,260, \$14,888, and \$14,056, respectively; 100% percent has been contributed for 2005 and 100 percent for 2004 and 2003.

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Township contributions for 2005 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**LIBERTY TOWNSHIP
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)**

Note 11 – Debt

The Township’s long-term debt activity for the year ended December 31, 2005, was as follows:

	<u>Interest Rate</u>	<u>Balance December 31, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2005</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>						
Ohio Public Works Loan 2004 Issue (Original Amount \$17,772)	0%	\$16,883	\$0	(\$1,778)	\$15,105	\$1,778

The Ohio Public Works Commission (OPWC) Loan is supported by the full faith and credit of the Township and is payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal payments.

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

<u>Year</u>	<u>OPWC Loan Principal</u>
2006	\$ 1,778
2007	1,778
2008	1,778
2009	1,778
2010	1,778
2011 – 2014	6,215
Totals	<u>\$15,105</u>

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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
Licking County
5662 Sportsman Club Road
Johnstown, Ohio 43031

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty Township, Licking County, Ohio (the Township) as of and for the year ended December 31, 2005, and issued our report thereon dated November 2, 2006. For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. In addition, as disclosed in Note 3, the Township adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the Township’s management dated November 2, 2006, we reported a matter involving the internal control over financial reporting we did not deem a reportable condition.

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 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 the objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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Liberty Township
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*
Page 2

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

Wilson, Shannon & Snow, Inc.

November 2, 2006

**LIBERTY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

Finding Number	2005-001
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Ohio Revised Code Section 5705.39 states in part that the total appropriation from each fund shall not exceed total estimated resources. It was noted that the following fund had appropriations which exceeded estimated resources at December 31, 2005:

<u>Major Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
Issue II	\$295,806	\$ 0	\$295,806

With appropriations exceeding estimated resources, the Township is appropriating monies that were not certified by the County Budget Commission. This may result in a fund deficit if not corrected throughout the year.

We recommend that the Township comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by comparing adopted appropriations against certified estimated resources on a continual basis, including when the original budget is adopted. If it is determined that estimated resources will be greater than initially anticipated, the Township should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources.

Official's response: The Fiscal Officer will determine that appropriations are within estimated resources throughout the year.

Finding Number	2005-002
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend monies unless it has been properly appropriated. It was noted that the following funds had expenditures exceeding appropriations at December 31, 2005:

<u>Major Funds</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
General Government – OPERS	\$ 6,000	\$ 9,372	\$ 3,372
General Government – UAN Fees	1,900	2,580	680
General Government - Property Tax Collection Fees	1,400	1,684	284
General Government - Election Expenses	1,300	2,037	737
General Government - Natural Gas	1,500	1,755	255
General Government – Other Utilities	0	325	325
General Government – Operating Supplies	200	1,039	839
General Government – Other	250	11,455	11,205
General Government – Payments	7,700	7,944	244
Road and Bridge - Capital Outlay	15,569	23,952	8,383
<u>Nonmajor Fund</u>			
FEMA - Supplies and Materials	0	18,686	18,686

**LIBERTY TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

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

Finding Number	2005-002 (Continued)
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We recommend that the Township appropriate all expenditures to ensure that expenditures do not exceed appropriations throughout the year. This will help avoid possible fund deficits.

Official's response: The Fiscal Officer will monitor expenditures throughout the year and modify appropriations as considered necessary.



Mary Taylor, CPA
Auditor of State

LIBERTY TOWNSHIP

LICKING 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
JANUARY 23, 2007