



Mary Taylor, CPA
Auditor of State

**LIBERTY TOWNSHIP
ADAMS COUNTY**

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LIBERTY TOWNSHIP
ADAMS COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Liberty Township
Adams County
8688 State Route 136
West Union, Ohio 45693

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Adams County, Ohio, as of December 31, 2005 and 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Cemetery (2005 only), and Permissive Motor Vehicle License Tax (2005 only) thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

While the Township reports total net assets of \$58,430 and a balance of \$20,745, \$4,917, and \$12,425 in the General, Gasoline Tax, and Cemetery funds, respectively, at December 31, 2005, as reported in note 4, the Township did not pay \$9,104 in federal and Medicare withholdings and \$1,972 in state withholdings to the Internal Revenue Service and Ohio Department of Taxation, respectively, that should have been paid before December 31, 2005. Had these amounts been paid by the required date, total net assets would have been \$47,354 and the balance of the General, Gasoline Tax, and Cemetery funds would have been \$15,212, \$362, and \$11,437, respectively.

For the year ended December 31, 2005 and 2004, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



Mary Taylor, CPA
Auditor of State

May 21, 2007

Liberty Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
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, 2005 and 2004, 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 and 2004 are as follows:

In 2005, the Township's net assets decreased \$177,018 or 75% over 2004. Expenses increased due to a large chip and seal project completed. In 2004, the Township's net assets increased \$87,128 or 59% as compared to 2003. Revenues increased due to the receipts of a large estate tax settlement.

The Township's general receipts are primarily property taxes and unrestricted grants and entitlements. During 2005 and 2004 general receipts represented 44% and 77% respectively of the total cash received for governmental activities. Property tax receipts changed very little in 2005 and 2004 compared to 2004 and 2003, respectively, as property values showed only moderate increases. Unrestricted grants and entitlements increased \$165,029 or 241% in 2004 compared to 2003 due to large estate tax settlements received. However, unrestricted grants and entitlements decreased \$201,491 or 86% in 2005 compared to 2004. No monies other than local government monies were received during 2005. The Township's program receipts are primarily excise gas tax and permissive motor vehicle license tax. Excise tax receipts related to fuel sales increased \$5,138 or 8% in 2005 over 2004, and increased \$12,842 or 23% in 2004 over 2003. Permissive Motor Vehicle License Tax receipts increased \$990 or 8% in 2005 over 2004 and increased \$399 or 4% in 2004 over 2003.

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.

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.

Liberty Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
Unaudited

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

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005 and 2004, within the limitations of 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, 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.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township's 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 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 and Gasoline Tax Funds in both 2005 and 2004 and the Permissive Motor Vehicle License Tax and Cemetery Funds in 2005. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Liberty Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
Unaudited

The Government 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	\$58,430	\$235,448
Total Assets	\$58,430	\$235,448
Net Assets		
Restricted for:		
Permanent Fund Purpose:		
Expendable	404	404
Nonexpendable	4,000	4,000
Other Purposes:		
Road Maintenance	15,491	41,201
Cemetery	12,425	16,196
Fire Protection	5,365	4,187
Unrestricted	20,745	169,460
Total Net Assets	\$58,430	\$235,448

As mentioned previously, net assets of governmental activities decreased \$ 177,180 or 75 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- A large chip and seal project was completed during 2005. The cost of the project was approximately \$93,500.
- No additional funds (i.e. estate taxes or grants) were received in 2005. In 2004 there was approximately \$202,000 of estate taxes received.

Liberty Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2005 and 2004.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2005	2004
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$14,184	\$13,170
Operating Grants and Contributions	87,220	82,398
Total Program Receipts	<u>101,404</u>	<u>95,568</u>
General Receipts:		
Property and Other Local Taxes	44,337	42,063
Notes Issued	0	40,012
Sale of Capital Assets	0	2,000
Grants and Entitlements Not Restricted	32,062	233,553
Interest	1,518	1,137
Miscellaneous	290	17
Other Financing Sources	0	7,195
Total General Receipts	<u>78,207</u>	<u>325,977</u>
Total Receipts	<u>179,611</u>	<u>421,545</u>
Disbursements:		
General Government	75,974	70,776
Public Safety	8,111	8,476
Public Works	229,798	183,211
Health	28,719	21,868
Capital Outlay	4,728	40,012
Debt Service:		
Principal Retirement	7,524	7,623
Interest and Fiscal Charges	1,775	2,451
Total Disbursements	<u>356,629</u>	<u>334,417</u>
Increase (Decrease) in Net Assets	(177,018)	87,128
Net Assets, January 1	<u>235,448</u>	<u>148,320</u>
Net Assets, December 31	<u>\$58,430</u>	<u>\$235,448</u>

In 2005, program receipts represent 56 percent of total receipts. In 2004, program receipts represent 23 percent of total receipts. Program receipts are primarily comprised of restricted intergovernmental receipts such as permissive motor vehicle license and gas tax money.

Liberty Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
Unaudited

In 2005, general receipts represent 44 percent of the Township's total receipts, and of this amount, 57 percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (41 percent). In 2004, general receipts represent 77 percent of the Township's total receipts, and of this amount, only 13 percent are local taxes. State and federal grants and entitlements, including estate taxes, make up 72 percent of the Township's general receipts. Sale of notes for the purchase of a truck make up the balance of the Township's general receipts at 12 percent. Other receipts in 2005 and 2004 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 official's salaries, Township hall, maintenance, and utilities.

Public Safety is the costs of fire protection; Public Works is the costs for maintaining and repairing the roads; Health is the health department and cemetery maintenance; Capital Outlay is the cost of purchasing capital assets and improvements to the Township's buildings.

Governmental Activities

If you look at the Statement of Activities on page 9 and 17, 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 public works, which account for 64 and 55 percent of all governmental disbursements in 2005 and 2004, respectively. General government also represents a significant cost, about 21 percent in 2005 and 2004. 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	Total Cost of Services 2004	Net Cost of Services 2004
General Government	\$75,974	(\$75,874)	\$70,776	(\$70,696)
Public Safety	\$8,111	(\$7,032)	\$8,476	(\$7,391)
Public Works	229,798	(132,908)	183,211	(92,174)
Health	28,719	(25,391)	21,868	(18,551)
Capital Outlay	4,728	(4,723)	40,012	(39,966)
Debt Service:				
Principal Retirement	7,524	(7,524)	7,623	(7,623)
Interest and Fiscal Charges	1,775	(1,773)	2,451	(2,448)
Total Expenses	\$356,629	(\$255,225)	\$334,417	(\$238,849)

The dependence upon property tax and local government receipts is apparent as over 43 and 65 percent of governmental activities are supported through these general receipts in 2005 and 2004, respectively.

Liberty Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
Unaudited

The Government's Funds

In 2005, total governmental funds had receipts of \$179,938 and disbursements of \$356,956. In 2004, total governmental funds had receipts of \$421,595 and disbursements of \$334,467. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$148,805 (88%) in 2005 as the result of a large road repair project and increased \$76,782 (83%) in 2004 due to several estate tax settlements being received.

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 and 2004, the Township amended its General Fund budget a small number of times to reflect changing circumstances. Final budgeted receipts were higher than original budgeted receipts in 2004 due to unexpected estate tax settlement receipts. There was no change between final and original budgeted receipts in 2005. The actual receipts exceeded final budgeted by \$41,224 or 30% in 2005 and \$11,443 or 20% in 2004.

In 2005, final appropriations were budgeted at \$138,801, while actual disbursements were \$198,477. In 2004, final appropriations were budgeted at \$100,540, while actual disbursements were \$221,036. The Township did not keep spending below budgeted amounts as demonstrated by the reported variances, however, receipts were greater than disbursements resulting in a fund balance increase in 2004 of \$75,489. In 2005, receipts did not keep pace with disbursements resulting in a fund balance decrease of \$148,718.

Capital Assets and Debt Administration

Capital Assets

The Township does not report capital assets under the cash basis of accounting.

Debt

The Township has one note payable in the amount of \$40,012 which was issued on January 13, 2004. The note was issued for the purpose of purchasing a truck and will mature in 2009. Principal and interest payments are due monthly.

Current Issues

The challenge for all Township's 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.

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 Jacqueline DeAtley, Fiscal Officer, Liberty Township, 8868 State Route 136, West Union, Ohio 45693.

Liberty Township
Adams County
Statement of Net Assets - Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$58,430</u>
<i>Total Assets</i>	<u><u>\$58,430</u></u>
Net Assets	
Restricted for:	
Permanent Fund Purpose:	
Expendable	404
Nonexpendable	4,000
Other Purposes:	
Road Maintenance	15,491
Cemetery	12,425
Fire Protection	5,365
Unrestricted	<u>20,745</u>
<i>Total Net Assets</i>	<u><u>\$58,430</u></u>

See accompanying notes to the basic financial statements

Liberty Township
Adams County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$75,974	\$100	\$0	(\$75,874)
Public Safety	8,111	0	1,079	(7,032)
Public Works	229,798	12,905	83,985	(132,908)
Health	28,719	1,172	2,156	(25,391)
Capital Outlay	4,728	5	0	(4,723)
Debt Service:				
Principal Retirement	7,524	0	0	(7,524)
Interest and Fiscal Charges	1,775	2	0	(1,773)
<i>Total Governmental Activities</i>	356,629	14,184	87,220	(255,225)
General Receipts				
Property Taxes Levied for:				
General Purposes				44,337
Grants and Entitlements not Restricted to Specific Programs				32,062
Interest				1,518
Miscellaneous				290
<i>Total General Receipts</i>				78,207
Change in Net Assets				(177,018)
<i>Net Assets Beginning of Year</i>				235,448
<i>Net Assets End of Year</i>				\$58,430

See accompanying notes to the basic financial statements

Liberty Township
Adams County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	<u>General</u>	<u>Gasoline Tax Fund</u>	<u>Cemetery Fund</u>	<u>Permissive Motor Vehicle License Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$20,745	\$4,917	\$12,425	\$6,747	\$13,596	\$58,430
<i>Total Assets</i>	<u>\$20,745</u>	<u>\$4,917</u>	<u>\$12,425</u>	<u>\$6,747</u>	<u>\$13,596</u>	<u>\$58,430</u>
Fund Balances						
Reserved:						
Reserved for Permanent Fund Purpose	\$0	\$0	\$0	\$0	\$4,000	\$4,000
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	20,745	0	0	0	0	20,745
Special Revenue Funds	0	4,917	12,425	6,747	9,192	33,281
Permanent Fund	0	0	0	0	404	404
<i>Total Fund Balances</i>	<u>\$20,745</u>	<u>\$4,917</u>	<u>\$12,425</u>	<u>\$6,747</u>	<u>\$13,596</u>	<u>\$58,430</u>

See accompanying notes to the basic financial statements

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

	General	Gasoline Tax Fund	Cemetery Fund	Permissive Motor Vehicle License Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$15,642	\$0	\$16,604	\$12,770	\$12,091	\$57,107
Intergovernmental	32,062	73,230	2,156	0	11,600	119,048
Interest	1,518	202	0	0	32	1,752
Other	540	0	1,164	0	0	1,704
<i>Total Receipts</i>	<u>49,762</u>	<u>73,432</u>	<u>19,924</u>	<u>12,770</u>	<u>23,723</u>	<u>179,611</u>
Disbursements						
Current:						
General Government	75,974	0	0	0	0	75,974
Public Safety	0	0	0	0	8,111	8,111
Public Works	103,125	99,988	0	12,155	14,530	229,798
Health	5,024	0	23,695	0	0	28,719
Capital Outlay	4,728	0	0	0	0	4,728
Debt Service:						0
Principal Retirement	7,524	0	0	0	0	7,524
Interest and Fiscal Charges	1,775	0	0	0	0	1,775
<i>Total Disbursements</i>	<u>198,150</u>	<u>99,988</u>	<u>23,695</u>	<u>12,155</u>	<u>22,641</u>	<u>356,629</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(148,388)</u>	<u>(26,556)</u>	<u>(3,771)</u>	<u>615</u>	<u>1,082</u>	<u>(177,018)</u>
Other Financing Sources (Uses)						
Advances In	0	0	0	0	327	327
Advances Out	(327)	0	0	0	0	(327)
<i>Total Other Financing Sources (Uses)</i>	<u>(327)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>327</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(148,715)</u>	<u>(26,556)</u>	<u>(3,771)</u>	<u>615</u>	<u>1,409</u>	<u>(177,018)</u>
<i>Fund Balances Beginning of Year</i>	<u>169,460</u>	<u>31,473</u>	<u>16,196</u>	<u>6,132</u>	<u>12,187</u>	<u>235,448</u>
<i>Fund Balances End of Year</i>	<u>\$20,745</u>	<u>\$4,917</u>	<u>\$12,425</u>	<u>\$6,747</u>	<u>\$13,596</u>	<u>\$58,430</u>

See accompanying notes to the basic financial statements

Liberty Township

Adams County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual - Budget Basis

General Fund

For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Receipts				
Property and Other Local Taxes	\$14,000	\$14,000	\$15,642	\$1,642
Intergovernmental	22,711	22,711	32,062	9,351
Interest	946	946	1,518	572
Other	662	662	540	(122)
<i>Total receipts</i>	<u>38,319</u>	<u>38,319</u>	<u>49,762</u>	<u>11,443</u>
Disbursements				
Current:				
General Government	86,227	86,227	75,974	10,253
Public Works	20,300	20,300	103,125	(82,825)
Health			5,024	(5,024)
Capital Outlay	22,200	22,200	4,728	17,472
Debt Service:				
Principal Retirement	8,089	8,089	7,524	565
Interest and Fiscal Charges	1,985	1,985	1,775	210
<i>Total Disbursements</i>	<u>138,801</u>	<u>138,801</u>	<u>198,150</u>	<u>(59,349)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(100,482)</u>	<u>(100,482)</u>	<u>(148,388)</u>	<u>(47,906)</u>
Other Financing Sources (Uses)				
Advances Out	0	0	(327)	(327)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(327)</u>	<u>(327)</u>
<i>Net Change in Fund Balance</i>	<u>(100,482)</u>	<u>(100,482)</u>	<u>(148,715)</u>	<u>(48,233)</u>
<i>Fund Balance Beginning of Year</i>	169,460	169,460	169,460	0
Prior Year Encumbrances Appropriated	1,293	1,293	1,293	0
<i>Fund Balance End of Year</i>	<u>\$70,271</u>	<u>\$70,271</u>	<u>\$22,038</u>	<u>(\$48,233)</u>

See accompanying notes to the basic financial statements

Liberty Township
Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax 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>		
Receipts				
Intergovernmental	\$60,000	\$60,000	\$73,230	\$13,230
Interest	200	200	202	2
<i>Total receipts</i>	<u>60,200</u>	<u>60,200</u>	<u>73,432</u>	<u>13,232</u>
Disbursements				
Current:				
Public Works	85,406	85,406	99,988	(14,582)
<i>Total Disbursements</i>	<u>85,406</u>	<u>85,406</u>	<u>99,988</u>	<u>(14,582)</u>
<i>Net Change in Fund Balance</i>	(25,206)	(25,206)	(26,556)	(1,350)
<i>Fund Balance Beginning of Year</i>	<u>31,473</u>	<u>31,473</u>	<u>31,473</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$6,267</u></u>	<u><u>\$6,267</u></u>	<u><u>\$4,917</u></u>	<u><u>(\$1,350)</u></u>

See accompanying notes to the basic financial statements

**Liberty Township
Adams County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis*

Cemetery 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>		
Receipts				
Property and Other Local Taxes	\$16,000	\$16,000	\$16,604	\$604
Intergovernmental	0	0	2,156	2,156
Other	2,000	2,000	1,164	(836)
<i>Total receipts</i>	<u>18,000</u>	<u>18,000</u>	<u>19,924</u>	<u>1,924</u>
Disbursements				
Current:				
Health	<u>27,231</u>	<u>27,231</u>	<u>23,695</u>	<u>3,536</u>
<i>Total Disbursements</i>	<u>27,231</u>	<u>27,231</u>	<u>23,695</u>	<u>3,536</u>
<i>Net Change in Fund Balance</i>	(9,231)	(9,231)	(3,771)	5,460
<i>Fund Balance Beginning of Year</i>	<u>16,196</u>	<u>16,196</u>	<u>16,196</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$6,965</u></u>	<u><u>\$6,965</u></u>	<u><u>\$12,425</u></u>	<u><u>\$5,460</u></u>

See accompanying notes to the basic financial statements

**Liberty Township
Adams County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Permissive Motor Vehicle License Tax 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>		
Receipts				
Property and Other Local Taxes	\$10,500	\$10,500	\$12,770	\$2,270
<i>Total receipts</i>	<u>10,500</u>	<u>10,500</u>	<u>12,770</u>	<u>2,270</u>
Disbursements				
Current:				
Public Works	17,147	17,147	12,155	4,992
<i>Total Disbursements</i>	<u>17,147</u>	<u>17,147</u>	<u>12,155</u>	<u>4,992</u>
<i>Net Change in Fund Balance</i>	(6,647)	(6,647)	288	6,935
<i>Fund Balance Beginning of Year</i>	<u>6,132</u>	<u>6,132</u>	<u>6,132</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>(\$515)</u></u>	<u><u>(\$515)</u></u>	<u><u>\$6,420</u></u>	<u><u>\$6,935</u></u>

See accompanying notes to the basic financial statements

Liberty Township
Adams County
Statement of Net Assets - Cash Basis
December 31, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$235,448
<i>Total Assets</i>	\$235,448
Net Assets	
Restricted for:	
Permanent Fund Purpose:	
Expendable	404
Nonexpendable	4,000
Other Purposes:	
Road Maintenance	41,201
Cemetery	16,196
Fire Protection	4,187
Unrestricted	169,460
<i>Total Net Assets</i>	\$235,448

See accompanying notes to the basic financial statements

Liberty Township
Adams County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2004

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Governmental Activities
Governmental Activities				
General Government	\$70,776	\$80	\$0	(\$70,696)
Public Safety	8,476	0	1,085	(7,391)
Public Works	183,211	11,886	79,151	(92,174)
Health	21,868	1,155	2,162	(18,551)
Capital Outlay	40,012	46	0	(39,966)
Debt Service:				
Principal Retirement	7,623	0	0	(7,623)
Interest and Fiscal Charges	2,451	3	0	(2,448)
<i>Total Governmental Activities</i>	<u>334,417</u>	<u>13,170</u>	<u>82,398</u>	<u>(238,849)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				42,063
Grants and Entitlements not Restricted to Specific Programs				233,553
Notes Issued				40,012
Other Financing Sources				7,195
Sale of Capital Assets				2,000
Interest				1,137
Miscellaneous				<u>17</u>
<i>Total General Receipts</i>				325,977
Change in Net Assets				87,128
<i>Net Assets Beginning of Year</i>				<u>148,320</u>
<i>Net Assets End of Year</i>				<u>\$235,448</u>

See accompanying notes to the basic financial statements

Liberty Township
Adams County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$169,460	\$31,473	\$34,515	\$235,448
<i>Total Assets</i>	<u>\$169,460</u>	<u>\$31,473</u>	<u>\$34,515</u>	<u>\$235,448</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$1,293	\$0	\$0	\$1,293
Reserved for Permanent Fund Purpose	0	0	4,000	4,000
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	168,167	0	0	168,167
Special Revenue Funds	0	31,473	30,111	61,584
Permanent Fund	0	0	404	404
<i>Total Fund Balances</i>	<u>\$169,460</u>	<u>\$31,473</u>	<u>\$34,515</u>	<u>\$235,448</u>

See accompanying notes to the basic financial statements

Liberty Township
Adams County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$14,370	\$0	\$39,473	\$53,843
Intergovernmental	233,553	68,092	13,975	315,620
Interest	1,137	306	24	1,467
Other	258	0	1,150	1,408
<i>Total Receipts</i>	<u>249,318</u>	<u>68,398</u>	<u>54,622</u>	<u>372,338</u>
Disbursements				
Current:				
General Government	70,774	0	2	70,776
Public Safety	0	0	8,476	8,476
Public Works	93,854	67,009	22,348	183,211
Health	4,979	0	16,889	21,868
Capital Outlay	40,012	0	0	40,012
Debt Service:				0
Principal Retirement	7,623	0	0	7,623
Interest and Fiscal Charges	2,451	0	0	2,451
<i>Total Disbursements</i>	<u>219,693</u>	<u>67,009</u>	<u>47,715</u>	<u>334,417</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>29,625</u>	<u>1,389</u>	<u>6,907</u>	<u>37,921</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	0	0	2,000	2,000
Notes Issued	40,012	0	0	40,012
Advances In	0	0	50	50
Advances Out	(50)	0	0	(50)
Other Financing Sources	7,195	0	0	7,195
<i>Total Other Financing Sources (Uses)</i>	<u>47,157</u>	<u>0</u>	<u>2,050</u>	<u>49,207</u>
<i>Net Change in Fund Balances</i>	76,782	1,389	8,957	87,128
<i>Fund Balances Beginning of Year</i>	<u>92,678</u>	<u>30,084</u>	<u>25,558</u>	<u>148,320</u>
<i>Fund Balances End of Year</i>	<u><u>\$169,460</u></u>	<u><u>\$31,473</u></u>	<u><u>\$34,515</u></u>	<u><u>\$235,448</u></u>

See accompanying notes to the basic financial statements

Liberty Township

Adams County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual - Budget Basis

General Fund

For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$12,600	\$12,600	\$14,370	\$1,770
Intergovernmental	30,934	193,825	233,553	39,728
Interest	152	952	1,137	185
Other	114	717	258	(459)
<i>Total receipts</i>	<u>43,800</u>	<u>208,094</u>	<u>249,318</u>	<u>41,224</u>
Disbursements				
Current:				
General Government	84,992	84,992	72,067	12,925
Public Works	0	0	93,854	(93,854)
Health	0	0	4,979	(4,979)
Capital Outlay	6,748	6,748	40,012	(33,264)
Debt Service:				
Principal Retirement	6,688	6,688	7,623	(935)
Interest and Fiscal Charges	2,112	2,112	2,451	(339)
<i>Total Disbursements</i>	<u>100,540</u>	<u>100,540</u>	<u>220,986</u>	<u>(120,446)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(56,740)</u>	<u>107,554</u>	<u>28,332</u>	<u>(79,222)</u>
Other Financing Sources (Uses)				
Notes Issued	0	0	40,012	40,012
Advances Out	0	0	(50)	(50)
Other Financing Sources	0	0	7,195	7,195
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>47,157</u>	<u>47,157</u>
<i>Net Change in Fund Balance</i>	<u>(56,740)</u>	<u>107,554</u>	<u>75,489</u>	<u>(32,065)</u>
<i>Fund Balance Beginning of Year</i>	<u>92,678</u>	<u>92,678</u>	<u>92,678</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$35,938</u>	<u>\$200,232</u>	<u>\$168,167</u>	<u>(\$32,065)</u>

See accompanying notes to the basic financial statements

**Liberty Township
Adams County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$48,780	\$48,780	\$68,092	19,312
Interest	220	220	306	86
<i>Total receipts</i>	<u>49,000</u>	<u>49,000</u>	<u>68,398</u>	<u>19,398</u>
Disbursements				
Current:				
Public Works	68,715	68,715	67,009	1,706
Capital Outlay	3,000	3,000	0	3,000
<i>Total Disbursements</i>	<u>71,715</u>	<u>71,715</u>	<u>67,009</u>	<u>4,706</u>
<i>Net Change in Fund Balance</i>	(22,715)	(22,715)	1,389	24,104
<i>Fund Balance Beginning of Year</i>	<u>30,084</u>	<u>30,084</u>	<u>30,084</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$7,369</u></u>	<u><u>\$7,369</u></u>	<u><u>\$31,473</u></u>	<u><u>\$24,104</u></u>

See accompanying notes to the basic financial statements

Note 1 – Reporting Entity

The Liberty Township, Adams 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.

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 Village of West Union for fire protection.

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Liberty Township
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. Monies are assigned to the various governmental funds according to the purpose for which they may or must be used. The following are the Township's major funds:

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

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

Cemetery Fund (2005 only) – This fund receives property tax money to maintain the cemeteries.

Permissive Motor Vehicle License Tax (2005 only) – This fund receives money from all motor vehicle licenses sold in the Township and is used for constructing, maintaining, and repairing Township roads.

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

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. 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 liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency 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.

Liberty Township
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

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 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 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 in Pooled Cash and Cash Equivalents".

The Township has a nonexpendable trust that has been invested in Series HH Treasury Bonds, as dictated by the will. The Township possesses the bonds in physical form.

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 \$1,518 and during 2004 was \$1,137.

F. Capital Assets

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

G. 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.

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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. 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.

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.

Liberty Township
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

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. Restricted net assets represent \$37,685 of a total fund balance of \$58,430 in 2005 and \$65,988 of a total fund balance of \$235,448 in 2004.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

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 implemented the cash basis of accounting described in Note 2C. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Compliance

Ohio Rev. Code Section 507.04 requires minutes to contain all official actions, including budgetary documents and amounts. The minutes did not include all official business including approval of 2004 fire contract, advances, 2005 cemetery lot prices, monthly bank reconciliations, financial and budgetary reports, budgetary documents and a couple of employees.

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations in the General, Gasoline Tax, and Road & Bridge funds in 2005 and the General Fund in 2004.

Ohio Rev. Code Section 5747.07 (B)(4) requires employers to make payment of unremitted state income taxes for each calendar quarter during which they were required to be withheld. The Township did not properly remit state income tax withholdings or complete and file the required forms to the state for employee withholdings for 2001, 2002, 2003, 2004, and 2005. The Township has expended \$1,320 and is liable for \$1,972.

26 United States Code, Section 3403, provides employers are liable for taxes deducted and withheld. The Township did not properly remit any federal income tax and Medicare withholdings for 2003, 2004 and 2005. The Township has expended \$10,006 and is liable for \$9,104.

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and any major special revenue 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 cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$1,293 for the General Fund in 2004.

Note 6 – Deposits and Investments

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

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

Liberty Township
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

Note 6 – 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 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 2005, the Township's bank balance of \$88,104 was not exposed to custodial credit risk, and at year end 2004, \$152,415 of the Township's bank balance of \$252,414 was exposed to custodial credit risk. These 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.

Liberty Township
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

Note 6 - Deposits and Investments (continued)

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

The Township has four \$1,000 Series HH Treasury Bonds, which were left as part of a bequest in 1982. The bonds matured in 2002, however, no action was taken by the Township because there is a legal document dictating the investment of the money. Since the bonds matured in 2002, no interest has been received.

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 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, 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.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. 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 and 2004, was \$2.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 and 2004 property tax receipts were based are as follows:

Liberty Township
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

Note 7 – Property Taxes (continued)

	<u>2004</u>	<u>2005</u>
Real Property		
Residential	\$10,992,170	\$12,471,470
Agriculture	5,368,110	5,460,980
Commercial/Industrial/Mineral	589,210	716,910
Public Utility Property		
Personal	2,048,730	2,130,070
Tangible Personal Property	33,340	63,290
Total Assessed Value	<u>\$19,031,560</u>	<u>\$20,842,720</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 Government 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.

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.

Liberty Township
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

Note 8 – Risk Management (continued)

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	(12,344,576)	(11,086,379)
Retained earnings	\$18,141,062	\$17,046,241

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

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. The Townships contributions to OTARMA for the past two years are as follows:

<u>Year</u>	<u>Contribution</u>
2005	\$3,996
2004	4,046

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.

Liberty Township
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

Note 9 – Defined Benefit Pension Plan (continued)

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

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

For the years ended December 31, 2005 and 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 and 2004 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 \$8,060, \$6,946, and \$5,313 respectively. The full amount has been contributed for 2004 and 2003; 50.5 percent has been contributed for 2005 and 100 percent for fiscal years 2004 and 2003.

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 recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 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, 20XX, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 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 employer contributions for 2005 which were used to fund postemployment benefits were \$1,704. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

Liberty Township
Notes to the Financial Statements
For the Year Ended December 31, 2005 and 2004
(Continued)

Note 10 - Postemployment Benefits (continued)

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.

Note 11 – Debt

Debt outstanding at December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2005
Truck Note	6%	\$25,471

The note payable 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 monthly principal and interest payments.

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

Year	Truck Note	
	Principal	Interest
2006	\$ 7,305	\$ 1,218
2007	8,438	861
2008	8,957	341
2009	771	4
Totals	\$ 25,471	\$ 2,424

Note 12 – Contingent Liabilities

The Township is a defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Township's financial condition.



Mary Taylor, CPA

Auditor of State

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

Liberty Township
Adams County
8688 State Route 136
West Union, Ohio 45693

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 21, 2007, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-001 and 2005-003.

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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2005-003 listed above to be a material weakness. In a separate letter to the Township's management dated May 21, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001, 2005-002, and 2005-004. In a separate letter to the Township's management dated May 21, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

May 21, 2007

LIBERTY TOWNSHIP
ADAMS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 507.04(A), requires, in part, the township fiscal officer to keep an accurate record of the proceedings of the board of township trustees at all of its meetings, and of all its accounts and transactions. Liberty Township did not include all official business within their minutes. The Township minutes lacked approval of the 2004 fire contract, advances, 2005 cemetery lot prices, monthly bank reconciliations, financial and budgetary reports, budgetary documents, and the hiring of two employees in 2005 and one employee in 2004.

Without the detail of official actions in the minutes, the Township does not have a complete written record of the transactions of each meeting to reference back to when problems or questions arise or evidence of monitoring controls over the financial reporting of the Township.

We recommend the Fiscal Officer maintain a minute record which documents all official actions, including, but not limited to, the performance of monitoring controls by the Trustees and monthly financial and budget to actual reports.

FINDING NUMBER 2005-002

Material Noncompliance

Ohio Rev. Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been properly appropriated. Expenditures exceeded appropriations in the following funds and fiscal years:

<u>Year</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
2005	General	\$ 138,801	\$ 198,477	\$ (59,676)
2005	Gasoline Tax	85,406	99,988	(14,582)
2005	Road & Bridge	3,325	4,636	(1,311)
2004	General	100,540	221,036	(120,496)

Failure to limit expenditures to appropriations may result in overspending and negative fund balances. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2005-003

Material Weakness

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. These controls should address operational, legal compliance, and financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

Monitoring controls over the Township's financial activity have not been placed in operation. The Board of Trustees is not receiving and reviewing monthly financial reports to monitor the financial activity of the Township. Failure to monitor the Township's activity lead to noncompliance with the Township's annual budget, expenditures in excess of available funds, and out-of-balance conditions going undetected. We recommend that the Township Fiscal Officer present monthly financial reports to the Township Trustees to provide for monitoring of financial activity. Monthly financial reports should contain, at minimum, monthly bank reconciliations, budget versus actual receipts and disbursements, and monthly fund balances. Monthly financial reports should be signed by the Trustees and documented in the minutes as evidence of review and acceptance.

FINDING NUMBER 2005-004

Material Noncompliance

26 U.S.C. Section 3403 generally provides employers are liable for taxes deducted and withheld. The Township did not properly remit any federal income tax and Medicare withholdings for 2003, 2004 and 2005. The Township has yet to contact the IRS regarding improperly remitted 2003, 2004, and 2005 withholdings. The Township has expended \$10,006 and is liable for \$9,104. We recommend the Township contact the IRS immediately to minimize additional interest and penalties. We will also refer the issue to the IRS.

Ohio Rev. Code, Section 5747.07 (B)(4), requires employers to make payment of unremitted state income taxes for each calendar quarter during which they were required to be withheld. No later than the last day of the month following the last day of each quarter they shall file the proper return with the payment. The Township did not properly remit any state income tax withholdings or complete and file the required forms to the state for employee withholdings for 2001, 2002, 2003, 2004 and 2005. The Township has expended \$1,320 and is liable for \$1,972. We recommend the Township contact the Ohio Department of Taxation immediately to minimize additional penalties and interest.

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

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC 5705.40 requires any appropriation changes to be approved by the Board	Yes.	
2003-002	ORC 5705.41(B) expenditures exceeding appropriations.	No	Not corrected. Repeat as finding 2005-002
2003-003	ORC 5705.39 prohibits appropriations in excess of estimated resources.	Yes.	



Mary Taylor, CPA
Auditor of State

LIBERTY TOWNSHIP

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 3, 2007**