



**LIBERTY TOWNSHIP  
KNOX COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006-2005**



**Mary Taylor, CPA**  
Auditor of State



**LIBERTY TOWNSHIP  
KNOX COUNTY**

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**LIBERTY TOWNSHIP  
KNOX COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Liberty Township  
Knox County  
6017 Mt. Liberty Road  
Centerburg, Ohio 43011

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Knox County, Ohio (the Township), as of and for the years ended December 31, 2006 and 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 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, Knox County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge, and Cemetery Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

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For the year ended December 31, 2005, 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*.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 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.

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

July 11, 2007

LIBERTY TOWNSHIP  
KNOX COUNTY

STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2006

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$92,734
<i>Total Assets</i>	<u>\$92,734</u>
<b>Net Assets</b>	
Restricted for:	
Debt Service	11,440
Other Purposes	67,130
Unrestricted	<u>14,164</u>
<i>Total Net Assets</i>	<u>\$92,734</u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$59,078	\$13,926	\$0	(\$45,152)
Public Works	145,226	0	118,152	(27,074)
Health	21,305	4,200	0	(17,105)
Capital Outlay	1,464	0	0	(1,464)
Debt Service:				
Principal Retirement	14,652	0	0	(14,652)
Interest and Fiscal Charges	1,703	0	0	(1,703)
<i>Total Governmental Activities</i>	<u>243,428</u>	<u>18,126</u>	<u>118,152</u>	<u>(107,150)</u>
<b>General Receipts</b>				
Property Taxes Levied for:				
General Purposes				85,034
Grants and Entitlements not Restricted to Specific Programs				40,082
Interest				302
Miscellaneous				523
<i>Total General Receipts</i>				<u>125,941</u>
Change in Net Assets				18,791
<i>Net Assets Beginning of Year</i>				<u>73,943</u>
<i>Net Assets End of Year</i>				<u><u>\$92,734</u></u>

See accompanying notes to the basic financial statements



LIBERTY TOWNSHIP  
KNOX COUNTY

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2006**

	General	Gasoline Tax	Road and Bridge	Cemetery	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$14,164	\$23,884	\$5,860	\$23,789	\$11,440	\$13,597	\$92,734
<b>Total Assets</b>	<b>\$14,164</b>	<b>\$23,884</b>	<b>\$5,860</b>	<b>\$23,789</b>	<b>\$11,440</b>	<b>\$13,597</b>	<b>\$92,734</b>
<b>Fund Balances</b>							
Reserved:							
Reserved for Encumbrances	\$112	\$216	\$22	\$16	\$0	\$6	\$372
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	14,052	0	0	0	0	0	14,052
Special Revenue Funds	0	23,668	5,838	23,773	0	13,591	66,870
Debt Service Fund	0	0	0	0	11,440	0	11,440
<b>Total Fund Balances</b>	<b>\$14,164</b>	<b>\$23,884</b>	<b>\$5,860</b>	<b>\$23,789</b>	<b>\$11,440</b>	<b>\$13,597</b>	<b>\$92,734</b>

See accompanying notes to the basic financial statements

LIBERTY TOWNSHIP  
KNOX COUNTY

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Gasoline Tax	Road and Bridge	Cemetery	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>							
Property and Other Local Taxes	\$25,140	\$0	\$28,118	\$15,946	\$15,830	\$0	\$85,034
Charges for Services	0	0	0	4,200	0	0	4,200
Licenses, Permits and Fees	13,926	0	0	0	0	0	13,926
Intergovernmental	40,082	86,201	7,152	2,679	0	22,120	158,234
Interest	119	84	0	0	0	99	302
Other	161	0	24	210	0	31	426
<b>Total Receipts</b>	<b>79,428</b>	<b>86,285</b>	<b>35,294</b>	<b>23,035</b>	<b>15,830</b>	<b>22,250</b>	<b>262,122</b>
<b>Disbursements</b>							
Current:							
General Government	59,078	0	0	0	0	0	59,078
Public Works	10,407	76,632	31,685	0	0	26,502	145,226
Health	1,703	0	0	19,602	0	0	21,305
Capital Outlay	1,464	0	0	0	0	0	1,464
Debt Service:							
Principal Retirement	0	0	0	0	14,652	0	14,652
Interest and Fiscal Charges	0	0	0	0	1,703	0	1,703
<b>Total Disbursements</b>	<b>72,652</b>	<b>76,632</b>	<b>31,685</b>	<b>19,602</b>	<b>16,355</b>	<b>26,502</b>	<b>243,428</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>6,776</b>	<b>9,653</b>	<b>3,609</b>	<b>3,433</b>	<b>(525)</b>	<b>(4,252)</b>	<b>18,694</b>
<b>Other Financing Sources (Uses)</b>							
Transfers In	0	0	0	0	0	1,500	1,500
Transfers Out	(1,500)	0	0	0	0	0	(1,500)
Other Financing Sources	97	0	0	0	0	0	97
<b>Total Other Financing Sources (Uses)</b>	<b>(1,403)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,500</b>	<b>97</b>
<b>Net Change in Fund Balances</b>	<b>5,373</b>	<b>9,653</b>	<b>3,609</b>	<b>3,433</b>	<b>(525)</b>	<b>(2,752)</b>	<b>18,791</b>
<b>Fund Balances Beginning of Year</b>	<b>8,791</b>	<b>14,231</b>	<b>2,251</b>	<b>20,356</b>	<b>11,965</b>	<b>16,349</b>	<b>73,943</b>
<b>Fund Balances End of Year</b>	<b>\$14,164</b>	<b>\$23,884</b>	<b>\$5,860</b>	<b>\$23,789</b>	<b>\$11,440</b>	<b>\$13,597</b>	<b>\$92,734</b>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$25,500	\$25,500	\$25,140	(\$360)
Charges for Services				-
Licenses, Permits and Fees	14,245	14,245	13,926	(319)
Fines and Forfeitures	100	100	0	(100)
Intergovernmental	31,200	31,200	40,082	8,882
Interest	100	100	119	19
Other	220	220	161	(59)
<i>Total receipts</i>	71,365	71,365	79,428	8,063
<b>Disbursements</b>				
Current:				
General Government	62,075	63,605	59,189	4,416
Public Works	11,770	12,030	10,407	1,623
Health	2,000	1,710	1,703	7
Capital Outlay	4,500	1,500	1,464	36
<i>Total Disbursements</i>	80,345	78,845	72,763	6,082
<i>Excess of Receipts Over (Under) Disbursements</i>	(8,980)	(7,480)	6,665	14,145
<b>Other Financing Sources (Uses)</b>				
Transfers Out	0	(1,500)	(1,500)	0
Other Financing Sources	201	201	97	(104)
<i>Total Other Financing Sources (Uses)</i>	201	(1,299)	(1,403)	(104)
<i>Net Change in Fund Balance</i>	(8,779)	(8,779)	5,262	14,041
<i>Fund Balance Beginning of Year</i>	8,516	8,516	8,516	0
Prior Year Encumbrances Appropriated	274	274	274	0
<i>Fund Balance End of Year</i>	\$11	\$11	\$14,052	\$14,041

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$64,505	\$64,505	\$86,201	\$21,696
Interest	65	65	84	19
Other	1,500	1,500	0	(1,500)
<i>Total receipts</i>	<u>66,070</u>	<u>66,070</u>	<u>86,285</u>	<u>20,215</u>
<b>Disbursements</b>				
Current:				
Public Works	76,301	80,301	76,848	3,453
Capital Outlay	4,000	0	0	0
<i>Total Disbursements</i>	<u>80,301</u>	<u>80,301</u>	<u>76,848</u>	<u>3,453</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,231)</u>	<u>(14,231)</u>	<u>9,437</u>	<u>23,668</u>
<i>Net Change in Fund Balance</i>	(14,231)	(14,231)	9,437	23,668
<i>Fund Balance Beginning of Year</i>	<u>14,231</u>	<u>14,231</u>	<u>14,231</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$23,668</u>	<u>\$23,668</u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$25,372	\$25,372	\$28,118	\$2,746
Intergovernmental	4,600	4,600	7,152	2,552
Other	10	10	24	14
<i>Total receipts</i>	<u>29,982</u>	<u>29,982</u>	<u>35,294</u>	<u>5,312</u>
<b>Disbursements</b>				
Current:				
Public Works	32,233	32,233	31,707	526
<i>Total Disbursements</i>	<u>32,233</u>	<u>32,233</u>	<u>31,707</u>	<u>526</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,251)</u>	<u>(2,251)</u>	<u>3,587</u>	<u>5,838</u>
<i>Net Change in Fund Balance</i>	(2,251)	(2,251)	3,587	5,838
<i>Fund Balance Beginning of Year</i>	<u>2,251</u>	<u>2,251</u>	<u>2,251</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$5,838</u></u>	<u><u>\$5,838</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
CEMETERY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$16,000	\$16,000	\$15,946	(\$54)
Charges for Services	0	0	4,200	4,200
Licenses, Permits and Fees	2,500	2,500	0	(2,500)
Intergovernmental	1,700	1,700	2,679	979
Other	760	760	210	(550)
<i>Total receipts</i>	<u>20,960</u>	<u>20,960</u>	<u>23,035</u>	<u>2,075</u>
<b>Disbursements</b>				
Current:				
Health	30,606	30,606	19,618	10,988
Capital Outlay	10,710	10,710	0	10,710
<i>Total Disbursements</i>	<u>41,316</u>	<u>41,316</u>	<u>19,618</u>	<u>21,698</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(20,356)</u>	<u>(20,356)</u>	<u>3,417</u>	<u>23,773</u>
<i>Net Change in Fund Balance</i>	(20,356)	(20,356)	3,417	23,773
<i>Fund Balance Beginning of Year</i>	<u>20,356</u>	<u>20,356</u>	<u>20,356</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$23,773</u></u>	<u><u>\$23,773</u></u>

See accompanying notes to the basic financial statements

LIBERTY TOWNSHIP  
KNOX COUNTY

STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$73,943</u>
<i>Total Assets</i>	<u><u>73,943</u></u>
<b>Net Assets</b>	
Restricted for:	
Debt Service	11,965
Other Purposes	53,187
Unrestricted	<u>8,791</u>
<i>Total Net Assets</i>	<u><u>\$73,943</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
KNOX 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	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$51,658	\$13,066	\$0	(\$38,592)
Public Safety	2,402	0	0	(2,402)
Public Works	174,868	0	136,534	(38,334)
Health	19,661	3,900	0	(15,761)
Capital Outlay	28,294	0	0	(28,294)
Debt Service:				
Principal Retirement	10,950	0	0	(10,950)
Interest and Fiscal Charges	1,398	0	0	(1,398)
<i>Total Governmental Activities</i>	<u>289,231</u>	<u>16,966</u>	<u>136,534</u>	<u>(135,731)</u>
<b>General Receipts</b>				
Property Taxes Levied for:				
General Purposes				83,072
Grants and Entitlements not Restricted to Specific Programs				32,888
Note Proceeds				20,000
Interest				217
Miscellaneous				3,227
<i>Total General Receipts</i>				<u>139,404</u>
Change in Net Assets				3,673
<i>Net Assets Beginning of Year</i>				<u>70,270</u>
<i>Net Assets End of Year</i>				<u>\$73,943</u>

See accompanying notes to the basic financial statements



LIBERTY TOWNSHIP  
KNOX COUNTY

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2005**

	General	Gasoline Tax	Road and Bridge	Cemetery	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$8,791	\$14,231	\$2,251	\$20,356	\$11,965	\$16,349	\$73,943
<i>Total Assets</i>	<u>8,791</u>	<u>14,231</u>	<u>2,251</u>	<u>20,356</u>	<u>11,965</u>	<u>16,349</u>	<u>73,943</u>
<b>Fund Balances</b>							
Reserved:							
Reserved for Encumbrances	275	0	0	0	0	0	275
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	8,516	0	0	0	0	0	8,516
Special Revenue Funds	0	14,231	2,251	20,356	0	16,349	53,187
Debt Service Fund	0	0	0	0	11,965	0	11,965
<i>Total Fund Balances</i>	<u>\$8,791</u>	<u>\$14,231</u>	<u>\$2,251</u>	<u>\$20,356</u>	<u>\$11,965</u>	<u>\$16,349</u>	<u>\$73,943</u>

See accompanying notes to the basic financial statements

LIBERTY TOWNSHIP  
KNOX 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	Road and Bridge	Cemetery	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>							
Property and Other Local Taxes	\$24,168	\$0	\$30,406	\$16,611	\$11,887	\$0	\$83,072
Charges for Services	0	0	0	3,900	0	0	3,900
Licenses, Permits and Fees	13,066	0	0	0	0	0	13,066
Intergovernmental	32,888	81,925	13,620	3,149	0	37,840	169,422
Interest	93	64	0	0	0	60	217
Other	189	1,776	101	921	0	12	2,999
<b>Total Receipts</b>	<b>70,404</b>	<b>83,765</b>	<b>44,127</b>	<b>24,581</b>	<b>11,887</b>	<b>37,912</b>	<b>272,676</b>
<b>Disbursements</b>							
Current:							
General Government	51,583	0	0	0	0	75	51,658
Public Safety	0	0	0	0	0	2,402	2,402
Public Works	17,364	81,400	42,488	0	0	33,616	174,868
Health	1,753	0	0	17,406	0	502	19,661
Capital Outlay	1,794	23,000	0	3,500	0	0	28,294
Debt Service:							
Principal Retirement	0	0	0	0	10,950	0	10,950
Interest and Fiscal Charges	0	0	0	0	1,398	0	1,398
<b>Total Disbursements</b>	<b>72,494</b>	<b>104,400</b>	<b>42,488</b>	<b>20,906</b>	<b>12,348</b>	<b>36,595</b>	<b>289,231</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>(2,090)</b>	<b>(20,635)</b>	<b>1,639</b>	<b>3,675</b>	<b>(461)</b>	<b>1,317</b>	<b>(16,555)</b>
<b>Other Financing Sources (Uses)</b>							
Note Proceeds	0	20,000	0	0	0	0	20,000
Other Financing Sources	228	0	0	0	0	0	228
<b>Total Other Financing Sources (Uses)</b>	<b>228</b>	<b>20,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,228</b>
<b>Net Change in Fund Balances</b>	<b>(1,862)</b>	<b>(635)</b>	<b>1,639</b>	<b>3,675</b>	<b>(461)</b>	<b>1,317</b>	<b>3,673</b>
<b>Fund Balances Beginning of Year</b>	<b>10,653</b>	<b>14,866</b>	<b>612</b>	<b>16,681</b>	<b>12,426</b>	<b>15,032</b>	<b>70,270</b>
<b>Fund Balances End of Year</b>	<b>\$8,791</b>	<b>\$14,231</b>	<b>\$2,251</b>	<b>\$20,356</b>	<b>\$11,965</b>	<b>\$16,349</b>	<b>\$73,943</b>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
KNOX 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)
<b>Receipts</b>				
Property and Other Local Taxes	\$26,400	\$26,400	\$24,168	(\$2,232)
Licenses, Permits and Fees	9,000	9,000	13,066	4,066
Fines and Forfeitures	100	100	0	(100)
Intergovernmental	33,847	35,292	32,888	(2,404)
Interest	180	180	93	(87)
Other	820	820	189	(631)
<i>Total receipts</i>	<u>70,347</u>	<u>71,792</u>	<u>70,404</u>	<u>(1,388)</u>
<b>Disbursements</b>				
Current:				
General Government	63,701	60,427	51,754	8,673
Public Works	10,683	18,602	17,468	1,134
Health	2,000	1,800	1,753	47
Capital Outlay	4,851	1,851	1,794	57
<i>Total Disbursements</i>	<u>81,235</u>	<u>82,680</u>	<u>72,769</u>	<u>9,911</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,888)</u>	<u>(10,888)</u>	<u>(2,365)</u>	<u>8,523</u>
<b>Other Financing Sources</b>				
Other Financing Sources	235	235	228	(7)
<i>Net Change in Fund Balance</i>	(10,653)	(10,653)	(2,137)	8,516
<i>Fund Balance Beginning of Year</i>	<u>10,653</u>	<u>10,653</u>	<u>10,653</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$8,516</u></u>	<u><u>\$8,516</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
KNOX 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
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$63,285	\$74,617	\$81,925	\$7,308
Interest	60	60	64	4
Other	1,775	21,775	1,776	(19,999)
<i>Total receipts</i>	<u>65,120</u>	<u>96,452</u>	<u>83,765</u>	<u>(12,687)</u>
<b>Disbursements</b>				
Current:				
Public Works	76,986	88,318	81,400	6,918
Capital Outlay	3,000	23,000	23,000	0
<i>Total Disbursements</i>	<u>79,986</u>	<u>111,318</u>	<u>104,400</u>	<u>6,918</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,866)</u>	<u>(14,866)</u>	<u>(20,635)</u>	<u>(5,769)</u>
<b>Other Financing Sources</b>				
Note Proceeds	0	0	20,000	20,000
<i>Net Change in Fund Balance</i>	(14,866)	(14,866)	(635)	14,231
<i>Fund Balance Beginning of Year</i>	<u>14,866</u>	<u>14,866</u>	<u>14,866</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$14,231</u>	<u>\$14,231</u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$25,230	\$25,586	\$30,406	\$4,820
Intergovernmental	11,302	18,460	13,620	(4,840)
Other	81	81	101	20
<i>Total receipts</i>	36,613	44,127	44,127	0
<b>Disbursements</b>				
Current:				
Public Works	37,225	44,739	42,488	2,251
<i>Total Disbursements</i>	37,225	44,739	42,488	2,251
<i>Excess of Receipts Over (Under) Disbursements</i>	(612)	(612)	1,639	2,251
<i>Net Change in Fund Balance</i>	(612)	(612)	1,639	2,251
<i>Fund Balance Beginning of Year</i>	612	612	612	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$2,251	\$2,251

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
CEMETERY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$14,124	\$14,124	\$16,611	\$2,487
Charges for Services	0	0	3,900	3,900
Licenses, Permits and Fees	3,317	3,317	0	(3,317)
Intergovernmental	2,677	3,179	3,149	(30)
Other	782	782	921	139
<i>Total receipts</i>	<u>20,900</u>	<u>21,402</u>	<u>24,581</u>	<u>3,179</u>
<b>Disbursements</b>				
Current:				
Health	33,721	34,223	17,406	16,817
Capital Outlay	3,500	3,500	3,500	0
<i>Total Disbursements</i>	<u>37,221</u>	<u>37,723</u>	<u>20,906</u>	<u>16,817</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(16,321)</u>	<u>(16,321)</u>	<u>3,675</u>	<u>19,996</u>
<i>Net Change in Fund Balance</i>	(16,321)	(16,321)	3,675	19,996
<i>Fund Balance Beginning of Year</i>	<u>16,681</u>	<u>16,681</u>	<u>16,681</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$360</u></u>	<u><u>\$360</u></u>	<u><u>\$20,356</u></u>	<u><u>\$19,996</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005**

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**Note 1 – Reporting Entity**

Liberty Township, Knox 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 Central Ohio Joint Fire District for fire protection. Police protection is provided by the Knox County Sheriff's Department.

**B. Jointly Governed Organization**

The Township participates in one jointly governed organization. Note 13 to the financial statements provides additional information for this entity. This organization is the Central Ohio Joint Fire District.

**C. Public Entity Risk Pool**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 8 to the financial statements provides additional information on this entity.

**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. In the government-wide financial statements Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

**A. Basis of Presentation**

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

**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.

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

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

The statement of net assets presents the cash balances of the governmental 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.

**B. Fund Accounting**

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

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township has five major governmental funds. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax and Road and Bridge Fund balances are available to the Township for the purpose of maintaining the Townships roads and bridges. The Cemetery Fund balance is utilized for the purpose of maintaining the Township's five cemeteries. The Debt Service Fund balance is used to service principal and interest payments for debt the Township issued in 2002 for the purchase of a new tractor and in 2005 for the purchase of a new dump truck.

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



**LIBERTY TOWNSHIP  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**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 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 object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended 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 had no investments at December 31, 2006 and 2005

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 2006 and 2005 were \$119 and \$93 respectively. Interest receipts credited to the Gasoline Tax Fund during 2006 and 2005 was \$84 and \$64 respectively. Interest receipts credited to the Motor Vehicle License Tax Fund during 2006 and 2005 were \$30 and \$18 respectively. Interest receipts credited to the Permissive Motor Vehicle License Fund during 2006 and 2005 were \$69 and \$42 respectively.

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their 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. Restricted assets represent \$78,570 and \$65,152 for 2006 and 2005 respectively.

**G. 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.

**H. 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.

**I. 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.

**J. 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.

**K. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for maintaining the Townships roads through the Gasoline Tax Fund, Road and Bridge Fund, Motor Vehicle Fund, and Permissive Motor Vehicle License Tax Fund. Net assets are also restricted for maintaining the Township's cemeteries through the Cemetery Fund; for contracting for fire services through the Fire Levy Fund, and servicing debt through the Debt Service Fund.

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.

**L. 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. Fund balance reserves have been established for encumbrances.

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**M. Interfund Transactions**

Interfund transfers are reported as other financing sources/uses in governmental funds.

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

In 2004, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For the years ended December 31, 2006 and December 31, 2005, the Township has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**Note 4 – Compliance**

Contrary to Ohio law, not all expenditures were properly certified by the Fiscal Officer at the time the commitment was incurred.

**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, the Gas Tax Fund, the Road and Bridge Fund and the Cemetery Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances that 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 \$112 and \$275 for 2006 and 2005, respectively, for the General Fund, and in 2006 \$216 for the Gasoline Tax fund, \$22 for the Road and Bridge fund, and \$16 for the Cemetery Fund.

**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.

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

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**Note 6 – Deposits** (continued)

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

The bank balances were \$86,539 and \$98,343 at December 31, 2005 and December 31, 2006 respectively. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosure*", at December 31, 2006 and December 31, 2005, none of the Township's bank balance was exposed to custodial credit risk because those deposits were insured through the Federal Depository Insurance Company.

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.

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

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**Note 6 – Deposits** (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 deposited being secured.

**Note 7 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, 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 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2005, on the true value as of December 31, 2005. 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, 2006, was \$2.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 and 2006 property tax receipts were based are as follows:

Real Property	FY06	FY05
Residential	\$20,349,230	\$17,902,670
Agricultural	11,644,810	10,915,810
Commercial/Industrial/Mineral	1,055,820	1,030,370
Tangible Personal Property		
Business	502,660	506,845
Public Utility	1,581,400	1,618,210
Total Assessed Value	<u>\$35,133,920</u>	<u>\$31,973,905</u>

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

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**Note 8 – Risk Management**

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

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

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**

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**Property Coverage**

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. 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 2006 was \$1,901,127.

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.

**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, 2006 and 2005:

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

**Note 8 – Risk Management** (continued)

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$7,566. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Year</u>	<u>Contribution</u>
2006	\$5,927
2005	\$5,153

After completing one year of membership, 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 contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

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**Note 9 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

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

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

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

For the years ended December 31, 2006 and 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0 and 8.0 percent respectively of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9.0 percent. The Township's contribution rate for pension benefits for 2006 was 9.2. 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, 2006 and 2005 were \$10,003, and \$9,170 respectively. The full amount has been contributed for 2006 and 2005.

**Note 10 - Postemployment Benefits**

**A. 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 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care.



**LIBERTY TOWNSHIP  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

**Note 10 - Postemployment Benefits** (continued)

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, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases.

Health care premiums were assumed to increase between 0.50 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 369,214. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$3,573. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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.

**Note 11 – Debt**

The Township's Note activity for 2006 and 2005 was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2006
<u>Governmental Activities</u>					
General Obligation Notes					
2002 Issue \$54,750	4.28%	\$32,850	\$0	\$21,900	\$10,950
2005 Issue \$20,000	3.88%	0	20,000	3,702	16,298
Totals		<u>\$32,850</u>	<u>\$20,000</u>	<u>\$25,602</u>	<u>\$27,295</u>

The above notes were issued to finance the purchase of a tractor and a loader to be used for various Township purposes. The general obligation notes are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

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**Note 11 – Debt** (continued)

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

Year	Notes	
	Principal	Interest
2007	\$14,807	\$1,102
2008	4,005	485
2009	4,161	329
2010	4,322	167
Totals	\$27,295	\$2,083

**Note 12 – Interfund Transfers**

During 2006 the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Funds	\$1,500
Total Transfers from the General Fund	\$1,500

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

**Note 13 – Jointly Governed Organization**

The Central Ohio Joint Fire District (The District) is a jointly governed organization pursuant to Ohio Revised Code section 505.371. The District was formed in 2000 and consists of Hilliar, Milford, and Liberty Townships and the Village of Centerburg. The District Board consists of a Trustee from each Township, a Council Member from the Village Centerburg and an at large member appointed by the vote of the District Board. Revenues are generated from a 5.5 mil operating levy.



# 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  
Knox County  
6017 Mt. Liberty Road  
Centerburg, Ohio 43011

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, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 11, 2007, wherein, we noted 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*. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

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

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

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A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: Finding Numbers 2006-001 through 2006-003.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-001 and 2006-002 are also material weaknesses.

### **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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

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



**Mary Taylor, CPA**  
Auditor of State

July 11, 2007

LIBERTY TOWNSHIP  
KNOX COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

**Material Noncompliance/Material Weakness/Significant Deficiency  
Certification of Funds**

**Ohio Rev. Code Section 5705.41(D)(1)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be null and void.

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

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

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

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

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

**LIBERTY TOWNSHIP  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-001 (Continued)**

**Material Noncompliance/Material Weakness/Significant Deficiency (Continued)  
Certification of Funds (Continued)**

88% of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

We recommend the Township's Fiscal Officer certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2006-002**

**Material Weakness/Significant Deficiency  
Financial Statement Presentation**

A monitoring system by the Fiscal Officer should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

The Fiscal Officer did not always accurately post receipts to the Township's accounting system. The following posting errors were noted:

Errors noted on the *Statement of Receipts, Disbursements, and Changes In Fund Balance*

- Charges for Services for Cemetery receipts were posted as Licenses, Permits, and Fees receipts and Miscellaneous receipts.
- Sale of Notes were posted as Miscellaneous receipts.

LIBERTY TOWNSHIP  
KNOX COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)

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

FINDING NUMBER 2006-002 (Continued)

**Material Weakness/Significant Deficiency (Continued)**  
**Financial Statement Presentation (Continued)**

Errors noted on the *Statement of Activities*

- Grants and Entitlements not Restricted to Specific Programs and receipts of Rollback and Homestead were posted as tax receipts.
- Sale of Notes were posted as Miscellaneous receipts.
- Federal Emergency Management Act (FEMA) monies were posted as General receipts rather than program revenue, Operating Grants and Contributions.
- Operating Grants and Contributions Program Receipts were posted to the General Government expenditure function rather than the Public Works expenditure function.

Not posting revenues accurately to the ledgers resulted in the financial statements requiring numerous audit reclassification entries.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of tax revenue, intergovernmental revenue, debt proceeds, and all grant funding. Cash receipts should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network receipt line item descriptions. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of financial data throughout the year.

**FINDING NUMBER 2006-003**

**Significant Deficiency**  
**Utilization of Duplicate Cash Receipts**

The utilization of a pre-numbered duplicate cash receipt book is essential to maintaining internal controls over cash collections. The utilization of a duplicate cash receipt book helps ensure the completeness of cash collections by providing a record of the transaction and an audit trail to follow.

A Township Trustee collects cash for the sale of burial plots, the opening and closing of graves, and cremations. In total for both fiscal 2006 and 2005, of the 32 receipt transactions involving these activities, only 3 duplicate cash receipts were written.

Failure to utilize duplicate cash receipts books could lead to undetected errors (accidental incorrect postings to financial ledgers and statements) and/or irregularities (the fraudulent misstatement of financial information due to, intentional mispostings of financial information and/or misappropriation of assets).

We recommend that the Township Trustees develop a policy that requires the use of a pre-numbered duplicate cash receipt book for all cash collections within the Township. The activity in this receipt book should be monitored by the Township Fiscal Officer, or by someone independent of the collection process, on a monthly basis.

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







**Mary Taylor, CPA**  
Auditor of State

**LIBERTY TOWNSHIP**

**KNOX 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  
OCTOBER 9, 2007**