

LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO
FOR THE YEAR ENDED DECEMBER 31, 2005



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of Liberty Township, Butler County, prepared by Cassady Schiller & Associates Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 6, 2008

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Liberty Township
Butler County, Ohio
For the Year Ended December 31, 2005

Table of Contents

Independent Accountants' Report	1
Management's Discussion and Analysis – For the Year Ended December 31, 2005	3
Statement of Net Assets – Modified Cash Basis December 31, 2005	10
Statement of Activities – Modified Cash Basis For the Year Ended December 31, 2005	11
Statement of Modified Cash Basis Assets and Fund Balances - Governmental Funds - December 31, 2005	12
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances - Governmental Funds - For the Year Ended December 31, 2005	13
Statement of Fiduciary Net Assets – Modified Cash Basis Fiduciary Fund - December 31, 2005	14
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis Fiduciary Fund – For the Year Ended December 31, 2005	15
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2005	16
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – Fire Fund For the Year Ended December 31, 2005	17
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – Police Fund For the Year Ended December 31, 2005	18
Notes to the Financial Statements – For the Year Ended December 31, 2005	19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34
Schedule of Findings and Responses	36
Schedule of Prior Audit Findings	37

INDEPENDENT ACCOUNTANTS' REPORT

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



To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Butler County, Ohio (the Government), as of and for the year ended December 31, 2005, which collectively comprise the Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government'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. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Butler County, Ohio, as of December 31, 2005 and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Fire and Police Funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Government 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 November 26, 2007, on our consideration of the Government'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.

CERTIFIED PUBLIC ACCOUNTANTS

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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.

CSA

November 26, 2007

Liberty Township
Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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, within the limitations of the Township's modified cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key financial highlights for 2005 are as follows:

Liberty Township experienced a significant increase in residential building in 2005. The Township Zoning Department issued 591 new housing permits. The residential growth has brought on an increased demand for Township services. The Township increased its full-time employees from 37 to 38.

The Township had an increase in governmental net assets of \$1,127,744, or 13% from the prior year. The total year-end net assets were \$9,634,367. The Fire Fund held the largest percentage of net assets at 36%. The General Fund and Police Fund made up 17% and 20%, respectively.

The Township's general receipts are primarily property and other local taxes. These receipts represent \$5,448,803, or 45 percent, of the total cash received for governmental activities during the year. The Township had \$10,998,030 in disbursements; only \$2,485,089 of these disbursements were offset by program specific charges for services, grants and contributions.

Major construction projects include the following:

- Intersection improvement of State Rt. 747 and Princeton Road which included a right of way purchase
- Engineering studies for constructing a major interchange at Interstate 75, Highway 129 and Hamilton Mason Road

The Township's Police Levy was renewed by voters. The renewed levy is 3 mills for 5 years (2005 – 2009).

The Township received the following major grants during 2005:

- \$200,000 park grant for Wilhemina Park
- \$17,269 FEMA grant used for Fire Department equipment

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

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

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 explanations and detail regarding the information reported in the statements.

Basis of Accounting

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

As a result of using the modified cash basis of accounting, certain assets and their related 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 modified cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Township at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. 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 activity draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

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

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

Reporting the Township's Most Significant Funds

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

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, the Fire Fund, and the Police Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)

Net Assets

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2005</u>	<u>2004</u>	
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$9,634,367</u>	<u>\$8,506,623</u>	<u>\$1,127,744</u>
Net Assets			
Restricted for:			
Capital Projects	680,864	640,835	40,029
Permanent Fund: Allen Park			0
Nonexpendable	25,000	0	25,000
Debt Service	0	14,928	(14,928)
Public Safety	5,779,772	5,553,392	226,380
Public Works	896,222	669,185	227,037
Other Purposes	609,082	466,946	142,136
Unrestricted	<u>1,643,427</u>	<u>1,161,337</u>	<u>482,090</u>
Total Net Assets	<u>\$9,634,367</u>	<u>\$8,506,623</u>	<u>\$1,127,744</u>

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

As mentioned previously, net assets of governmental activities increased \$1,127,744 during 2005. The following are important events that took place throughout 2005 that had an impact on the governmental activities net assets:

- The Township issued a \$2.1 million note for the 747/Princeton Road intersection construction project, and renewed the \$900,000 Note for the Wilhemina Park.
- A FEMA grant was received for \$17,269 and used by the Fire Department.
- The Police Levy was renewed at 3 mills for 5 years.
- A donation of \$50,000 for Allen Estates park improvements and maintenance was received by the Allen Estates developer, Joseph Schwarz.
- A \$200,000 park grant was received for Wilhemina Park.
- The Township purchased right of way property for the 747/Princeton Road intersection project.

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

Table 2 reflects the changes in net assets on a modified cash basis in 2005. Since this is the first year the Township has prepared modified cash financial statements, receipt and disbursement comparisons to 2005 are not available. In future years, when prior-year information is available, a comparative analysis of district-wide data will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities
	2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$944,178
Operating Grants and Contributions	966,679
Capital Grants and Contributions	574,232
Total Program Receipts	2,485,089
General Receipts:	
Property and Other Local Taxes	5,448,803
Grants and Entitlements Not Restricted to Specific Programs	796,281
Sale of Bonds	2,100,000
Sale of Notes	900,000
Earnings on Investments	247,731
Miscellaneous	147,870
Total General Receipts	9,640,685
Total Receipts	12,125,774
Disbursements:	
General Government	845,514
Public Safety	4,039,881
Public Works	885,987
Health	45,300
Conservation-Recreation	136,250
Capital Outlay	3,380,858
Debt Service:	
Principal	1,433,215
Interest	231,025
Total Disbursements	10,998,030
Increase in Net Assets	1,127,744
Net Assets at Beginning of Year	8,506,623
Net Assets at End of Year	\$9,634,367

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

Program receipts represent 20 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax money, state grants, zoning permits, inspection fees, cell tower charges, franchise fees, and charges for EMS transportation.

General receipts represent 80 percent of the Township's total receipts, and of this amount 57 percent are property taxes. Sale of Bonds and Notes make up 31 percent of the general receipts. Grants and entitlements not restricted to specific programs make 7 percent of total receipts. Miscellaneous receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the administrative, fiscal office, and parks services. These costs represent 8% of total disbursements.

Public safety represents the costs of police and fire protection, which makes up 37 percent of the total disbursements. Public Works includes the costs for the Road & Bridge Fund as well as the lighting districts. Capital Outlay includes large equipment purchases, building improvements, and any large projects completed by various departments, which consists of 31 percent of the total disbursements.

Governmental Activities

The first column of the Statement of Activities on page 11 lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for the protection and safety of the residents, both police and fire, which account for \$4,039,881, or 37 percent of all governmental disbursements. Capital Outlay also represents a significant cost, at 31 percent. The majority of the Capital Outlay costs related to the two construction projects as described in the Highlights section. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net (Disbursements) Receipts column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

The dependence upon property and other local taxes and intergovernmental receipts is apparent as over 57 percent of governmental activities are supported through these general receipts.

The Government's Funds

Information about the Township's major funds starts on page 12. These funds are accounted for using the modified cash basis of accounting. Total governmental funds had receipts of \$12,125,774, which included other financing sources. Total disbursements were \$10,998,030.

The fund balance of the General Fund increased \$482,090 from the prior year, primarily due to less transfers and advances out and more investment and miscellaneous revenue received. The Fire Fund decreased \$242,755 from the prior year due to an increase in disbursements, and the Police Fund increased \$428,425 over the prior year due to an increase property and other local taxes receipts from the renewed levy, and a slight decrease in disbursements.

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

General Fund Budgeting Highlights

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

The General Fund's final disbursements and other financing uses were budgeted at \$1,642,971 while the actual disbursements came in at only \$1,326,854, which put the Township under budget by 19 percent. The General Fund's final receipts were budgeted at \$1,444,503 while the actual receipts and other financing sources were higher at \$1,808,944. The increase was due to more interest earned on investments as well as other miscellaneous receipts that were not originally taken into account.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2005, the Township's outstanding debt totaled \$7,003,973 issued for various reasons. For further information regarding the Government's debt, refer to Note 11 to the basic financial statements.

- \$2,100,000 BAN 747/Princeton Road Intersection
- \$1,850,000 Bond Firestation #3
- \$1,220,000 Bond for Road Garage
- \$900,000 BAN Parkland Acquisition (Wilhemina)
- \$892,565 BAN 7 Yr. Parkland Note (Wilhemina)
- \$41,408 Land Acquisition Note Firestation #3

Current Issues

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

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Roger Reynolds, Fiscal Officer, Liberty Township, 6400 Princeton Road, Liberty Township, Ohio 45011.

Liberty Township
Butler County, Ohio
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$9,634,367</u>
<i>Total Assets</i>	<u><u>\$9,634,367</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$680,864
Nonexpendable	25,000
Public Safety	5,779,778
Public Works	896,223
Other Purposes	609,075
Unrestricted	<u>1,643,427</u>
<i>Total Net Assets</i>	<u><u>\$9,634,367</u></u>

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

	Program Cash Receipts			Net (Disbursements)	
	Cash	Charges	Operating	Receipts and Changes	
				in Net Assets	
Disbursements	for Services and Sales	Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Governmental Activities					
General Government	\$845,514	\$540,061	\$0	\$0	(\$305,453)
Public Safety	4,039,881	161,723	632,869	0	(3,245,289)
Public Works	885,987	215,841	316,848	0	(353,298)
Health	45,300	26,553	0	0	(18,747)
Conservation-Recreation	136,250	0	16,962	0	(119,288)
Capital Outlay	3,380,858	0	0	574,232	(2,806,626)
Debt Service:		0	0	0	
Principal Retirement	1,433,215	0	0	0	(1,433,215)
Interest and Fiscal Charges	231,025	0	0	0	(231,025)
Total	\$10,998,030	\$944,178	\$966,679	\$574,232	(\$8,512,941)

General Receipts

Property and Other Local Taxes Levied for:

General Purposes	\$375,305
Public Safety	4,239,617
Public Works	833,881
Grants and Entitlements not Restricted to Specific Programs	796,281
Sale of Bonds	2,100,000
Sale of Notes	900,000
Earnings on Investments	247,731
Miscellaneous	147,870
Total General Receipts	9,640,685
 Increase in Net Assets	 1,127,744
 Net Assets at Beginning of Year	 8,506,623
 Net Assets at End of Year	 \$9,634,367

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

	General	Fire Fund	Police Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$1,643,427</u>	<u>\$3,502,597</u>	<u>\$1,911,816</u>	<u>\$2,576,527</u>	<u>\$9,634,367</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$90	\$0	\$119	\$1,257,532	\$1,257,741
Unreserved:					
Undesignated Surplus (Deficit), Reported in:					
General Fund	1,643,337	0	0	0	1,643,337
Special Revenue Funds	0	3,502,597	1,911,697	1,870,663	7,284,957
Capital Projects Funds	0	0	0	(576,668)	(576,668)
Permanent Fund	0	0	0	25,000	25,000
Total Fund Balances	<u>\$1,643,427</u>	<u>\$3,502,597</u>	<u>\$1,911,816</u>	<u>\$2,576,527</u>	<u>\$9,634,367</u>

**Liberty Township
Butler County, Ohio**

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

	General	Fire Fund	Police Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$375,305	\$2,826,448	\$1,413,169	\$833,881	\$5,448,803
Charges for Services	0	0	0	171,733	171,733
Licenses, Permits and Fees	121,095	0	0	424,508	545,603
Fines and Forfeitures	11,001	0	0	0	11,001
Intergovernmental	796,281	427,117	185,715	711,117	2,120,230
Special Assessments	75	0	0	215,766	215,841
Earnings on Investments	241,675	0	0	6,056	247,731
Gifts and Donations	216,962	0	0	0	216,962
Miscellaneous	45,167	12,800	0	89,903	147,870
<i>Total Receipts</i>	<u>1,807,561</u>	<u>3,266,365</u>	<u>1,598,884</u>	<u>2,452,964</u>	<u>9,125,774</u>
Disbursements					
Current:					
General Government	572,701	0	0	272,813	845,514
Public Safety	0	2,864,971	1,169,463	5,447	4,039,881
Public Works	0	0	0	885,987	885,987
Health	34,252	0	0	11,048	45,300
	136,250	0	0	0	136,250
Capital Outlay	70,053	289,205	996	3,020,604	3,380,858
Debt Service:					
Principal Retirement	0	0	0	1,433,215	1,433,215
Interest and Fiscal Charges	0	0	0	231,025	231,025
<i>Total Disbursements</i>	<u>813,256</u>	<u>3,154,176</u>	<u>1,170,459</u>	<u>5,860,139</u>	<u>10,998,030</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>994,305</u>	<u>112,189</u>	<u>428,425</u>	<u>(3,407,175)</u>	<u>(1,872,256)</u>
Other Financing Sources (Uses)					
Sale of Bonds	0	0	0	2,100,000	2,100,000
Sale of Notes	0	0	0	900,000	900,000
Transfers In	1,383	0	0	887,196	888,579
Transfers Out	(513,598)	(354,944)	0	(20,037)	(888,579)
<i>Total Other Financing Sources (Uses)</i>	<u>(512,215)</u>	<u>(354,944)</u>	<u>0</u>	<u>3,867,159</u>	<u>3,000,000</u>
<i>Net Change in Fund Balances</i>	482,090	(242,755)	428,425	459,984	1,127,744
<i>Fund Balances at Beginning of Year</i>	<u>1,161,337</u>	<u>3,745,352</u>	<u>1,483,391</u>	<u>2,116,543</u>	<u>8,506,623</u>
<i>Fund Balances at End of Year</i>	<u><u>\$1,643,427</u></u>	<u><u>\$3,502,597</u></u>	<u><u>\$1,911,816</u></u>	<u><u>\$2,576,527</u></u>	<u><u>\$9,634,367</u></u>

Liberty Township
Butler County, Ohio
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
December 31, 2005

	<u>Private Purpose Trust</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$12,606</u>
Cash	
Cash in Segregated Accounts	
Cash with Fiscal Agents	
Cash with Escrow Agents/Trustees	
Net Assets	
Other Purposes	<u>\$12,606</u>

Liberty Township
Butler County, Ohio
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2005

	<u>Private Purpose Trust</u>
Additions	
Interest	<u>\$113</u>
Deductions	
	<u>0</u>
Change in Net Assets	113
Net Assets at Beginning of Year	<u>12,493</u>
Net Assets at End of Year	<u><u>\$12,606</u></u>

Liberty Township
Butler County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$383,840	\$383,840	\$ 375,305	(\$8,535)
Licenses, Permits and Fees	100,000	100,000	121,095	21,095
Fines and Forfeitures	7,000	7,000	11,001	4,001
Intergovernmental	817,663	817,663	796,281	(21,382)
Special Assessments	1,000	1,000	75	(925)
Earnings on Investments	100,000	100,000	241,675	141,675
Gifts and Donations	5,000	5,000	216,962	211,962
Miscellaneous	30,000	30,000	45,167	15,167
<i>Total Receipts</i>	1,444,503	1,444,503	1,807,561	363,058
Disbursements				
Current:				
General Government	561,764	621,315	572,701	48,614
Health	35,000	42,900	34,252	8,648
Conservation-Recreation	143,112	177,312	136,250	41,062
Capital Outlay	125,000	74,350	70,053	4,297
<i>Total Disbursements</i>	864,876	915,877	813,256	102,621
<i>Excess of Receipts Over Disbursements</i>	579,627	528,626	994,305	465,679
Other Financing Sources (Uses)				
Transfers In	0	0	1,383	1,383
Transfers Out	(740,634)	(725,634)	(513,598)	212,036
<i>Total Other Financing Sources (Uses)</i>	(740,634)	(725,634)	(512,215)	213,419
<i>Net Change in Fund Balance</i>	(161,007)	(197,008)	482,090	679,098
<i>Fund Balance at Beginning of Year</i>	1,159,877	1,159,877	1,159,877	0
Prior Year Encumbrances Appropriated	1,460	1,460	1,460	0
<i>Fund Balance at End of Year</i>	\$1,000,330	\$964,329	\$1,643,427	\$679,098

Liberty Township
Butler County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$2,781,000	\$2,781,000	\$2,826,448	\$45,448
Intergovernmental	326,000	326,000	427,117	101,117
Miscellaneous	11,000	11,000	12,800	1,800
<i>Total Receipts</i>	<u>3,118,000</u>	<u>3,118,000</u>	<u>3,266,365</u>	<u>148,365</u>
Disbursements				
Current:				
Public Safety	2,868,071	3,022,971	2,864,971	158,000
Capital Outlay	662,600	507,700	289,205	218,495
<i>Total Disbursements</i>	<u>3,530,671</u>	<u>3,530,671</u>	<u>3,154,176</u>	<u>376,495</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(412,671)	(412,671)	112,189	524,860
Other Financing Uses				
Transfers Out	(456,015)	(456,015)	(354,944)	101,071
<i>Total Other Financing Sources (Uses)</i>	<u>(456,015)</u>	<u>(456,015)</u>	<u>(354,944)</u>	<u>101,071</u>
<i>Net Change in Fund Balance</i>	(868,686)	(868,686)	(242,755)	625,931
<i>Fund Balance at Beginning of Year</i>	3,636,187	3,636,187	3,636,187	0
Prior Year Encumbrances Appropriated	109,165	109,165	109,165	0
<i>Fund Balance at End of Year</i>	<u>\$2,876,666</u>	<u>\$2,876,666</u>	<u>\$3,502,597</u>	<u>\$625,931</u>

Liberty Township
Butler County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Police Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$1,263,000	\$1,263,000	\$1,413,169	\$150,169
Intergovernmental	163,000	163,000	185,715	22,715
<i>Total Receipts</i>	1,426,000	1,426,000	1,598,884	172,884
Disbursements				
Current:				
Public Safety	1,206,500	1,217,100	1,169,463	47,637
Capital Outlay	20,000	9,401	996	8,405
<i>Total Disbursements</i>	1,226,500	1,226,501	1,170,459	56,042
<i>Net Change in Fund Balance</i>	199,500	199,499	428,425	228,926
<i>Fund Balance at Beginning of Year</i>	1,483,391	1,483,391	1,483,391	0
<i>Fund Balance at End of Year</i>	\$1,682,891	\$1,682,890	\$1,911,816	\$228,926

Liberty Township
Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity

Liberty Township, Butler County, Ohio, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

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

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Butler County Sheriff's Office for police protection.

B. Component Units

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

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

Liberty Township
Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental 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. Fiduciary funds are reported by type.

B. Fund Accounting

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

Governmental Funds

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

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

Liberty Township
Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Fiduciary Funds

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

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

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

Liberty Township
Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

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. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2005, the Township invested in nonnegotiable certificates of deposit, and US Government Securities, which consisted of Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Discount Notes, Federal National Mortgage Association Discount Note and the First American Treasury Money Market Fund. The nonnegotiable certificates of deposit are reported at cost. The Township's U.S. Government Securities investment is recorded at the amount reported by Seasongood and Mayer on December 31, 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 2005 was \$241,675, which includes \$187,176 assigned from other Township funds.

F. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits. The Township pays both the employer and employee portion of the Administrator's pension benefits as approved by the Trustees.

G. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for maintaining roads and bridges, maintaining fire and life squad services, and maintaining police services. All levied funds are restricted in their expenditures, in that they can only be used for the operations of the purpose they were voted for. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

H. Fund Balance Reserves

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

Liberty Township
Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

I. Interfund Transactions

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

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 modified 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 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year-end encumbrances which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) and outstanding year-end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to \$90 for the General Fund and \$119 for the Police Fund. The outstanding advances at year-end amounted to \$300,000 due to the General Fund from Capital Fund 4301.

Note 5 – Deposits and Investments

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

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

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

Liberty Township
Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 5 – Deposits and Investments (continued)

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; and
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.

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$4,321,419 of the Township's bank balance of \$4,421,419 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Liberty Township
Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 5 - 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

As of December 31, 2005, the Township had the following investments:

Title	Carrying Value	Maturity < 1 yr
Federal Home Loan Bank Notes	\$1,197,594	\$1,197,594
Federal National Mortgage Association Notes	248,281	248,281
Federal Home Loan Mortgage Corporation Discount Notes	3,487,598	3,487,598
Federal National Mortgage Association Discount Notes	641,680	641,680
First American Treasury Money Market Fund	26,174	26,174
	<u>\$5,601,327</u>	<u>\$5,601,327</u>

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

Credit Risk – The Federal Home Loan Bank Notes and the Federal National Mortgage Association Notes carry a rating of Aaa by Moody's. The Federal Home Loan Mortgage Corporation Discount Notes and Federal National Mortgage Association Discount Notes earn the highest credit ratings for short-term investments from Moody's (P-1). The First American Treasury Money Market Fund carries a rating of AAA/Aaa by Standard and Poors, and Moody's. Ohio law requires that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Concentration of Credit Risk – The Township places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The Township's investments in The Federal Home Loan Bank Notes, the Federal National Mortgage Association Notes, the Federal Home Loan Mortgage Corporation Discount Notes, and the Federal National Mortgage Association Discount Notes represent 21.38 percent, 4.43 percent, 62.26 percent and 11.46 percent, respectively, of the Township's total investments.

Liberty Township
Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 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 2005 represent the collection of 2004 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 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% of true value for capital assets and 23% for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$10.59 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$638,025,080
Agricultural	14,631,540
Commercial/Industrial/Mineral	33,164,710
Public Utility Property	
Real	49,630
Personal	14,085,440
Tangible Personal Property	5,811,470
Total Assessed Value	<u>\$705,767,870</u>

Note 7 – Interfund Receivables/Payables

Interfund balances at December 31, 2005, consisted of the following individual fund receivables and payables:

Due to General Fund from:

Other Governmental Funds	\$300,000
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The balance due to the General Fund includes loans made to provide working capital for operations or projects. This amount is expected to be repaid.

Liberty Township
Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

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. During 2005, the Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

The coverage provided is as follows:

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

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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.

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
Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 8 – Risk Management (continued)

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, 2004 and 2005.

<u>Casualty Coverage</u>	<u>2004</u>	<u>2005</u>
Assets	\$28,132,620	\$30,485,638
Liabilities	(11,086,379)	(12,344,576)
Retained earnings	<u>\$17,046,241</u>	<u>\$18,141,062</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2005</u>
Assets	\$7,588,343	\$9,177,796
Liabilities	(543,176)	(1,406,031)
Retained earnings	<u>\$7,045,167</u>	<u>\$7,771,765</u>

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.

These amounts will be billed and collected from members in the future when the related claims are due for payment. Because OTARMA is a public entity risk pool that shares risk management among its members, a specific liability related to the Township cannot be reasonably estimated.

After completing one year of membership, members may withdraw on each anniversary 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. 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 withdrawal. Withdrawing members have no other future obligation to the pool.

Liberty Township
Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

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 year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. 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 \$99,803, \$87,873, and \$75,361 respectively. The full amount has been contributed for 2005, 2004 and 2003. No employees elected the member-directed plan for 2005.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Township is required to contribute 24 percent for firefighters. Contributions are authorized by State statute. The Township's contributions to the firefighters were \$243,297 for the year ended December 31, 2005, \$164,357 for the year ended December 31, 2004 and \$142,258 for the year ended December 31, 2003. The full amount has been contributed for 2005, 2004 and 2003.

Liberty Township
Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 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 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 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 value. 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 \$29,462. 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, were \$10.8 billion. The actuarially accrued liability and the unfunded actuarially accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

Liberty Township
Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note10 - Postemployment Benefits (continued)

The total firefighter contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Township's actual contributions for 2005 that were used to fund postemployment benefits were \$98,585 for firefighters. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

Note 11 – Debt

A summary of the Township's debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance 12/31/04	Additions	Reductions	Balance 12/31/05	Due In One Year
Governmental Activities						
General Obligation Bonds						
1) Road Garage	3.90%	\$1,275,000	\$0	\$55,000	\$1,220,000	\$60,000
2) Firestation #3 Land	4.55%	121,482	0	80,074	41,408	41,408
3) Firestation #3 Building	2.00%	1,925,000	0	75,000	1,850,000	75,000
		<u>3,321,482</u>	<u>0</u>	<u>210,074</u>	<u>3,111,408</u>	<u>176,408</u>
Bond Anticipation Notes						
1) Parkland Acquisition – Wilhelmina 7 yr note	6.00%	1,115,706	0	223,141	892,565	223,141
2) 747/Princeton Rd Intersection Improvement	4.55%	0	2,100,000	0	2,100,000	2,100,000
3) Parkland Acquisition – Wilhelmina Note	4.00%	1,000,000	900,000	1,000,000	900,000	900,000
Total General Obligation Notes		<u>2,115,706</u>	<u>3,000,000</u>	<u>1,223,141</u>	<u>3,892,565</u>	<u>3,223,141</u>
Total Governmental Activities		<u>\$5,437,188</u>	<u>\$3,000,000</u>	<u>\$1,433,215</u>	<u>\$7,003,973</u>	<u>\$3,399,549</u>

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

<u>Year</u>	<u>Payment</u>	<u>Loan Balance</u>
2006	\$223,141	\$892,565
2007	223,141	669,424
2008	223,141	446,283
2009	223,142	223,141

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

Liberty Township
Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 11 – Debt (continued)

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

Year	G.O. Bonds	
	Principal	Interest
2006	\$ 176,408	\$ 134,215
2007	135,000	129,373
2008	145,000	124,663
2009	145,000	119,533
2010	155,000	113,939
2011 - 2015	870,000	465,457
2016 - 2020	1,075,000	248,805
2021 - 2025	410,000	37,993
Totals	\$3,111,408	\$1,373,978

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$62,023,077 and an unvoted debt margin of \$689,145.

Note 12 – Interfund Transfers

During 2005 the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Funds	\$513,598

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

Transfers from the Fire Fund to:	
Other Governmental Funds	\$354,944

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

Transfers from the FEMA Fund to:	
Other Governmental Funds	\$20,037

Transfers represent the allocation of funds collected in the FEMA Fund to be used towards expenses during the emergency snow removal.

Liberty Township
Butler County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 13 – Contingent Liabilities

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

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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



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

We have audited the financial statements of Liberty Township, Butler County, Ohio (the Township), as of and for the year ended December 31, 2005, and have issued our report thereon dated November 26, 2007, wherein we noted the Township followed the modified cash accounting basis. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be 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 initiate, record, process, and report financial data consistent with the assertion's of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2005-001. We also noted certain immaterial instances of non compliance that we have reported to the Township's management in a letter dated November 26, 2007.

CERTIFIED PUBLIC ACCOUNTANTS

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



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

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

November 26, 2007

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2005**

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

FINDING NUMBER 2005 - 001

Criteria:

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.39, provides that the total appropriations from each fund shall not exceed the total estimated revenue available for expenditure.

Condition:

Contrary to the requirements of Section 5705.39, total appropriations exceeded total estimated revenues in the following funds:

- Fund 3104, General Note Retirement;
- Fund 4301, Permanent Improvement – Liberty Interchange;
- Fund 4302, Permanent Improvement – Firehouse #3; and
- Fund 4303, Permanent Improvement – 747/Princeton Interchange.

Effect:

Appropriating amounts by fund that exceed the total estimated revenues by fund could lead to a fund deficit.

Recommendation:

We recommend that the Township review estimated resources prior to approving or amending appropriations. If estimated resources are not sufficient to support planned appropriations, the Township should modify appropriations or request an amended certificate, if new revenue sources are identified.

Management Response:

We concur with the comments and recommendations. The Township is currently addressing the issues listed.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2005

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or <u>Finding No Longer Valid</u>
2004-001	Noncompliance/Reportable Condition – Contrary to Section 5705.39, the Township had appropriated amounts that exceeded total estimated revenues.		Not corrected. Reissued as Finding 2005-001.
2004-002	Noncompliance/Reportable Condition – Contrary to Section 5705.41(B), the Township had expenditures that exceeded appropriations	Fully corrected.	
2004-003	Noncompliance/Reportable Condition – Contrary to Sections 5705.14, 5705.15 & 5705.16, the Township made transfers out of the general fund without resolution of the Board of Trustees.	Fully corrected.	
2004-004	Noncompliance/Reportable Condition – Contrary to Sections 2921.43(A), (1), & (2), the Township compensated the President of the Board of Trustees for services performed as acting township administrator.	Fully corrected.	



Mary Taylor, CPA
Auditor of State

LIBERTY TOWNSHIP

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 18, 2008**