

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2007**





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Liberty Township  
4900 Dutch Lane  
Johnstown, Ohio 43031

We have reviewed the *Independent Auditors' Report* of Liberty Township, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2007 through December 31, 2007. 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

November 25, 2008

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**LIBERTY TOWNSHIP  
LICKING COUNTY**

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## INDEPENDENT AUDITORS' REPORT

Liberty Township  
Licking County  
4900 Dutch Lane  
Johnstown, Ohio 43031

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Licking County, Ohio (the Township) as of and for the year ended December 31, 2007, 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 Standard*. 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 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Licking County, Ohio as of December 31, 2007, and the respective changes in cash basis financial position and the respective budgetary comparisons of the General, Gas Tax, Road & Bridge, and Fire District Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008 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 reports 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.

*Wilson, Shannon & Snow, Inc.*

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

Liberty Township  
Licking County  
Independent Auditors' Report

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

*Wilson, Shanna & Snow, Inc.*

October 30, 2008

**LIBERTY TOWNSHIP, LICKING COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**UNAUDITED**

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This management's discussion and analysis of the Liberty Township, Licking County, Ohio (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2007, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2007 are as follows:

- Net assets of governmental activities increased \$105,723, or 17 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Gas Tax Fund, an increase of \$61,828.
- The Township's general receipts are primarily property tax receipts. These receipts represent 66 percent of the total cash received for governmental activities during the year. Property tax receipts increased 5 percent from 2006.
- The Township's other major funds consisted of the General, Road & Bridge, and Fire District funds. These funds experienced increases (decreases) in fund balance of \$52,800, (\$50,451), and \$43,156, respectively, from the prior year.

**Using the Basic Financial Statements**

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

**Report Components**

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.



**LIBERTY TOWNSHIP, LICKING COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**UNAUDITED**

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**Basis of Accounting**

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

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

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2007, within the limitations of its cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

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

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

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

**Reporting the Township's Most Significant Funds**

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

**LIBERTY TOWNSHIP, LICKING COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**UNAUDITED**

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

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

**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities	
	2007	2006
<b>Assets</b>		
Cash and Cash Equivalents	\$ 712,925	\$ 607,202
Total Assets	\$ 712,925	\$ 607,202
 <b>Net Assets</b>		
Restricted for:		
Street Construction and Repair	\$ 361,456	\$ 343,433
Fire	129,325	86,169
Other Purposes	3,218	6,434
Unrestricted	218,926	171,166
Total Net Assets	\$712,925	\$607,202

**LIBERTY TOWNSHIP, LICKING COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**UNAUDITED**

As mentioned previously, net assets of governmental activities increased \$105,723 or 17 percent during 2007. The primary reasons contributing to the increase in cash balances are as follows:

- An increase of 5% in property tax receipts which primarily relates to the collection of delinquencies.
- Increases in intergovernmental receipts received which was primarily rollback and homestead receipts through the Licking County Auditor's office.
- Interest receipts also increased \$17,804 based on higher interest rates from 2006.

Table 2 reflects the changes in net assets in 2007 and 2006.

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

	Governmental Activities 2007	Governmental Activities 2006
Cash Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 12,838	\$ 13,421
Operating Grants and Contributions	94,793	151,899
Total Program Receipts	107,631	165,320
General Receipts:		
Property and Other Local Taxes	432,442	412,834
Grants and Entitlements Not Restricted to Specific Programs	89,636	43,726
Interest	23,818	6,014
Miscellaneous	611	8,226
Total General Receipts	546,507	470,800
Total Cash Receipts	654,138	636,120
 Cash Disbursements:		
General Government	102,920	103,341
Public Safety	193,277	203,202
Public Works	178,905	80,614
Health	6,625	15,444
Capital Outlay	64,911	89,123
Debt Service	1,777	1,777
Total Cash Disbursements	548,415	493,501
 Change in Net Assets	105,723	142,619
 Net Assets, January 1	607,202	464,583
Net Assets, December 31	\$ 712,925	\$ 607,202

**LIBERTY TOWNSHIP, LICKING COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**UNAUDITED**

Program receipts represent only 17 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, license permit and inspection fees.

General receipts represent 84 percent of the Township's total receipts, and of this amount, over 79 percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (16 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for general government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the fiscal officer and trustees for payroll and benefit costs. General government represents 19 percent of total disbursements.

Public safety disbursements represent the costs for fire contracts with Monroe and St. Albans Townships. Public safety represents 35 percent of total disbursements.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and public safety, which account for 19 and 35 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006
General Government	\$ 102,920	\$ 91,514	\$ 103,341	\$ 41,981
Public Safety	193,277	193,277	203,202	203,202
Public Works	178,905	84,740	80,614	(20,116)
Health	6,625	4,565	15,444	12,214
Capital Outlay	64,911	64,911	89,123	89,123
Debt Service	1,777	1,777	1,777	1,777
<b>Total Expenses</b>	<b>\$ 548,415</b>	<b>\$ 440,784</b>	<b>\$ 493,501</b>	<b>\$ 328,181</b>

The dependence upon property tax receipts is apparent as over 79 percent of governmental activities are supported through these general receipts.

**LIBERTY TOWNSHIP, LICKING COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**UNAUDITED**

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**The Township's Funds**

Total governmental funds had receipts of \$654,138 and disbursements of \$548,415. The greatest change within governmental funds occurred within the Gas Tax Fund. The fund balance of the Gas Tax Fund increased \$61,828 as the result of increased intergovernmental receipts.

The General Fund receipts were higher than disbursements by \$52,800 indicating that the General Fund is avoiding a deficit spending situation.

**General Fund Budgeting Highlights**

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

During 2007, the Township did not amend its General Fund budget. Final budgeted receipts were lower than actual receipts by \$36,869.

Final disbursements were budgeted at \$304,976 while actual disbursements were \$122,920. The Township kept spending to necessities as demonstrated by the variance of \$182,056.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Debt**

At December 31, 2007, the Township's outstanding debt included \$11,551 in an Ohio Public Works Commission loan issued for Stone Quarry Road resurfacing project. See Note 10 to the basic financial statements.

**Current Issues**

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. We will continue to monitor receipts and disbursements to help avoid deficit spending situations.

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Heather Berry, Fiscal Officer, Liberty Township, 4900 Dutch Lane, Johnstown, Ohio 43031.

**LIBERTY TOWNSHIP  
LICKING COUNTY**

*Statement of Net Assets - Cash Basis  
December 31, 2007*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$712,925</u>
<i>Total Assets</i>	<u><u>\$712,925</u></u>
<b>Net Assets</b>	
Restricted for:	
Street Construction and Repair	\$361,456
Fire	129,325
Other Purposes	3,218
Unrestricted	<u>218,926</u>
<i>Total Net Assets</i>	<u><u>\$712,925</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
LICKING COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2007*

	<u>Program Cash Receipts</u>			<u>Net (Cash Disbursements) Cash Receipts, and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>				
General Government	\$102,920	\$10,778	\$628	(\$91,514)
Public Safety	193,277	0	0	(193,277)
Public Works	178,905	0	94,165	(84,740)
Health	6,625	2,060	0	(4,565)
Capital Outlay	64,911	0	0	(64,911)
Debt Service	1,777	0	0	(1,777)
<b>Total</b>	<u>\$548,415</u>	<u>\$12,838</u>	<u>\$94,793</u>	<u>(440,784)</u>
		<b>General Receipts</b>		
		Property Taxes Levied for:		
		General Purposes	432,442	
		Grants and Entitlements not Restricted to Specific Programs	89,636	
		Interest	23,818	
		Miscellaneous	611	
		<i>Total General Cash Receipts</i>	<u>546,507</u>	
		Change in Net Assets		105,723
		<i>Net Assets Beginning of Year</i>		<u>607,202</u>
		<i>Net Assets End of Year</i>		<u>\$712,925</u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
LICKING COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2007*

	<u>General</u>	<u>Gas Tax</u>	<u>Road &amp; Bridge</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$223,966	\$219,181	\$113,584	\$129,325	\$26,869	\$712,925
<i>Total Assets</i>	<u>\$223,966</u>	<u>\$219,181</u>	<u>\$113,584</u>	<u>\$129,325</u>	<u>\$26,869</u>	<u>\$712,925</u>
<b>Fund Balances</b>						
Unreserved:						
Reported in:						
General Fund	223,966	0	0	0	0	223,966
Special Revenue Funds	0	219,181	113,584	129,325	26,869	488,959
<i>Total Fund Balances</i>	<u>\$223,966</u>	<u>\$219,181</u>	<u>\$113,584</u>	<u>\$129,325</u>	<u>\$26,869</u>	<u>\$712,925</u>

See accompanying notes to the basic financial statements



**LIBERTY TOWNSHIP  
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2007*

	General	Gas Tax	Road & Bridge	Fire District	Other Governmental Funds	Total Governmental Funds
<b>Cash Receipts</b>						
Property and Other Local Taxes	\$99,277	\$0	\$122,979	\$210,186	\$0	\$432,442
Licenses, Permits and Fees	9,428	0	0	0	1,350	\$10,778
Intergovernmental	48,434	83,787	15,584	26,247	10,377	\$184,429
Interest	18,105	952	0	0	4,761	\$23,818
Other Local Revenues	476	0	135	0	2,060	2,671
<i>Total Cash Receipts</i>	<u>175,720</u>	<u>84,739</u>	<u>138,698</u>	<u>236,433</u>	<u>18,548</u>	<u>654,138</u>
<b>Cash Disbursements</b>						
Current:						
General Government	102,920	0	0	0	0	102,920
Public Safety	0	0	0	193,277	0	193,277
Public Works	0	22,911	142,461	0	13,533	178,905
Health	0	0	0	0	6,625	6,625
Capital Outlay	20,000	0	44,911	0	0	64,911
Debt Service:						
Principal Retirement	0	0	1,777	0	0	1,777
<i>Total Cash Disbursements</i>	<u>122,920</u>	<u>22,911</u>	<u>189,149</u>	<u>193,277</u>	<u>20,158</u>	<u>548,415</u>
<i>Net Change in Fund Balances</i>	52,800	61,828	(50,451)	43,156	(1,610)	105,723
<i>Fund Balances Beginning of Year</i>	<u>171,166</u>	<u>157,353</u>	<u>164,035</u>	<u>86,169</u>	<u>28,479</u>	<u>607,202</u>
<i>Fund Balances End of Year</i>	<u>\$223,966</u>	<u>\$219,181</u>	<u>\$113,584</u>	<u>\$129,325</u>	<u>\$26,869</u>	<u>\$712,925</u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes  
In Fund Balance - Budget and Actual -(Budgetary Basis)  
**General Fund**  
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$78,437	\$78,437	\$99,277	\$20,840
Licenses, Permits and Fees	7,442	7,442	9,428	1,986
Intergovernmental	38,267	38,267	48,434	10,167
Interest	14,302	14,302	18,105	3,803
Other Local Revenues	403	403	476	73
<i>Total Cash Receipts</i>	<u>138,851</u>	<u>138,851</u>	<u>175,720</u>	<u>36,869</u>
<b>Cash Disbursements</b>				
Current:				
General Government	233,279	233,279	102,920	130,359
Public Works	8,697	8,697	0	8,697
Capital Outlay	63,000	63,000	20,000	43,000
<i>Total Cash Disbursements</i>	<u>304,976</u>	<u>304,976</u>	<u>122,920</u>	<u>182,056</u>
<i>Net Change in Fund Balance</i>	(166,125)	(166,125)	52,800	218,925
<i>Fund Balance Beginning of Year</i>	<u>171,166</u>	<u>171,166</u>	<u>171,166</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$5,041</u></u>	<u><u>\$5,041</u></u>	<u><u>\$223,966</u></u>	<u><u>\$218,925</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes  
In Fund Balance - Budget and Actual -(Budgetary Basis)  
Gas Tax Fund  
For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Cash Receipts</b>				
Intergovernmental	\$89,633	\$89,633	\$83,787	(\$5,846)
Interest	1,025	1,025	952	(73)
<i>Total Cash Receipts</i>	<u>90,658</u>	<u>90,658</u>	<u>84,739</u>	<u>(5,919)</u>
<b>Cash Disbursements</b>				
Current:				
Public Works	248,011	248,011	22,911	225,100
<i>Total Cash Disbursements</i>	<u>248,011</u>	<u>248,011</u>	<u>22,911</u>	<u>225,100</u>
<i>Net Change in Fund Balance</i>	(157,353)	(157,353)	61,828	219,181
<i>Fund Balance Beginning of Year</i>	<u>157,353</u>	<u>157,353</u>	<u>157,353</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$219,181</u></u>	<u><u>\$219,181</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes  
In Fund Balance - Budget and Actual -(Budgetary Basis)  
**Road & Bridge Fund**  
For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$121,201	\$121,201	\$122,979	\$1,778
Intergovernmental	15,352	15,352	15,584	232
Other Local Revenues	151	151	135	(16)
<i>Total Cash Receipts</i>	<u>136,704</u>	<u>136,704</u>	<u>138,698</u>	<u>1,994</u>
<b>Cash Disbursements</b>				
Current:				
Public Works	184,566	184,566	142,461	42,105
Capital Outlay	107,000	107,000	44,911	62,089
Debt Service:				
Principal Retirement	9,173	9,173	1,777	7,396
<i>Total Cash Disbursements</i>	<u>300,739</u>	<u>300,739</u>	<u>189,149</u>	<u>111,590</u>
<i>Net Change in Fund Balance</i>	(164,035)	(164,035)	(50,451)	113,584
<i>Fund Balance Beginning of Year</i>	<u>164,035</u>	<u>164,035</u>	<u>164,035</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$113,584</u></u>	<u><u>\$113,584</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
LICKING COUNTY**

*Statement of Cash Receipts, Cash Disbursements and Changes  
In Fund Balance - Budget and Actual -(Budgetary Basis)  
**Fire District Fund**  
For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$206,819	\$206,819	\$210,186	\$3,367
Intergovernmental	25,850	25,850	26,247	397
<i>Total Cash Receipts</i>	<u>232,669</u>	<u>232,669</u>	<u>236,433</u>	<u>3,764</u>
<b>Cash Disbursements</b>				
Current:				
Public Safety	318,838	318,838	193,277	125,561
<i>Total Cash Disbursements</i>	<u>318,838</u>	<u>318,838</u>	<u>193,277</u>	<u>125,561</u>
<i>Net Change in Fund Balance</i>	(86,169)	(86,169)	43,156	129,325
<i>Fund Balance Beginning of Year</i>	<u>86,169</u>	<u>86,169</u>	<u>86,169</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$129,325</u></u>	<u><u>\$129,325</u></u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
LICKING COUNTY**

*Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Fund  
December 31, 2007*

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	<u>Private Purpose Trust</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,461
<i>Total Assets</i>	<u>\$1,461</u>
<b>Net Assets</b>	
Unrestricted	<u>\$1,461</u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
LICKING COUNTY**

*Statement of Changes in Fiduciary Net Assets - Cash Basis  
Fiduciary Fund  
For the Year Ended December 31, 2007*

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	<u>Private Purpose Trust</u>
Net Assets - Beginning of Year	<u>\$1,461</u>
Net Assets - End of Year	<u>\$1,461</u>

See accompanying notes to the basic financial statements

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**Note 1 – Reporting Entity**

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

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Monroe and St. Albans Townships for fire and emergency medical service protection. Police protection is provided by the Licking County Sheriff.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township does not have any component units.

The Township participates in a public entity risk pool. See Note 7 to the financial statements for additional information for this entity.

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

**Note 2 – Summary of Significant Accounting Policies**

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



**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. The Township does not have business-type activities.

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General, Gas Tax, Road & Bridge, and Fire District Funds. The following is a description of the Township's major governmental funds:

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

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

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

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

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

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

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

**Fiduciary Funds**

The Townships fiduciary fund includes a private purpose trust fund. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township's private purpose trust fund receives gifts and donations from benefactors and uses the interest earned on the fund balance for improving the Township cemeteries.

**C. Basis of Accounting**

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

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

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

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

**D. Budgetary Process**

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

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

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

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2007, the Township had an interest bearing checking account and a high yield savings account.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$18,105.

**F. Restricted Assets**

Cash is reported as restricted when limitations on its use changes the nature or normal understanding of its use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township did not have restricted assets at December 31, 2007.

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

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

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

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

**J. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

**K. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-Term Obligations**

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for cemeteries.

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. None of the restricted net assets were by enabling legislation.

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

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

**N. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. The Township did not have fund balance reserves at December 31, 2007.

**O. Interfund Transactions**

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

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Township did not report extraordinary or special items during 2007.

**Note 3 – Compliance**

The Township had appropriations in excess of estimated resources contrary to Ohio Revised Code Section 5705.39 and also did not properly post rollback and homestead receipts to the required funds contrary to Ohio Revised Code Section 5705.10.

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

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

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**Note 5 – Deposits**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
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).

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

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**Note 5 – Deposits** (continued)

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

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$716,128 of the Township's bank balance of \$816,128 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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

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

**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 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, 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.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. 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.

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

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**Note 6 – Property Taxes** (continued)

The full tax rate for all Township operations for the year ended December 31, 2007, was \$10.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$55,593,490
Agriculture	8,908,290
Commercial/Industrial/Mineral	1,293,740
Public Utility Property	
Personal	1,228,570
Tangible Personal Property	155,970
Total Assessed Value	<u>\$67,180,060</u>

**Note 7 – Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments 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..



**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

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

Property Coverage

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

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 government.

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(the latest information available):

<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 the 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 \$17,000. This payable includes the subsequent year's contribution due of the Township terminates participation, as described in the last paragraph below.

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

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

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

<b><u>Contributions to OTARMA</u></b>	
2005	\$6,591
2006	\$7,341
2007	\$7,750

After completing one year of membership, members may withdraw on each anniversary of the day they joined OTARMA provided they give written notice to OTARMA 60 days in advance of their anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 8 – Defined Benefit Pension Plan**

Plan Description – 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension 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, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll.

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

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

The Township's contribution rate for 2007 was 13.85 percent of covered payroll. For the period January 1 through June 30, a portion of the Township's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Township of 14 percent.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$16,004, \$15,484, and \$14,260, respectively; 100 percent has been contributed for 2007, 2006 and 2005.

**Note 9 – Postemployment Benefits**

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part b premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 4642 or by calling (614) 222-5601 or 800-222-7377.

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

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)**

**Note 10 – Debt**

The Township’s long-term debt activity for the year ended December 31, 2007, was as follows:

	<u>Interest Rate</u>	<u>Balance December 31, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2007</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>						
Ohio Public Works Loan 2004 Issue (Original Amount \$17,772)	0%	\$13,328	\$0	(\$1,777)	\$11,551	\$1,777

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

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

Year	<u>OPWC Loan Principal</u>
2008	\$ 1,777
2009	1,777
2010	1,777
2011	1,777
2012	1,777
2013 – 2014	2,666
Totals	<u>\$11,551</u>



**Report on Internal Control over Financial Reporting and on Compliance and Other Matters**  
**Based on an Audit of Financial Statements Performed in Accordance with**  
**Government Auditing Standards**

Liberty Township  
Licking County  
4900 Dutch Lane  
Johnstown, Ohio 43031

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty Township, Licking County, Ohio (the Township) as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements and have issued our report thereon dated October 30, 2008, wherein we noted the Township prepared its financial statements on the cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

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 and responses to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-003.

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.

*Wilson, Shannon & Snow, Inc.*

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

Liberty Township  
Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards*  
Page 2

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 findings 2007-002 through 2007-003 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated October 30, 2008.

**Compliance and Other Matters**

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

We also noted noncompliance or other matters that we have reported to management of the Township in a separate letter dated October 30, 2008.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

*Wilson, Sherman & Snow, Inc.*

October 30, 2008

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	2007-001
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Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed total estimated resources. We noted the following fund had appropriations in excess of total estimated resources at December 31, 2007:

<u>Other Governmental Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Noncompliance</u>
Federal Emergency Management Agency	\$9,755	\$5,041	(\$4,714)

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

**Official's response:** The Township will monitor appropriations throughout the year to determine compliance.

Finding Number	2007-002
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Ohio Revised Code Section 5705.10 (C) states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. In addition, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

During 2007 the Township incorrectly recorded the October 2007 rollback and homestead payment, totaling \$26,354 entirely to the General Fund, contrary to the semi-annual tax apportionment sheet received from the County Auditor which specified \$7,691 and \$12,828 should have been allocated to the Road and Bridge and Fire Funds, respectively.

The adjustment indicated above has been reflected in the accompanying basic financial statements presented in this report.

We recommend the Township Fiscal Officer develop internal control procedures to verify that all revenues are posted to the correct funds and revenue account codes during the year. In addition, the Trustees should review monthly transaction reports to identify improper postings.

**Official's response:** The Fiscal Officer will develop procedures to ensure that receipts are properly posted.

**LIBERTY TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007  
(Continued)**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	2007-003
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**Financial Reporting**

The American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. This establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client’s internal control over financial reporting. This new standard requires the auditor to report in writing to management and governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

We noted the following deficiency when testing the Township’s internal control over financial reporting:

- We identified significant audit adjustments and reclassifications based on the improper posting of receipts and disbursements. This included audit adjustments to properly present rollback and homestead receipts in the correct funds, proper presentation of disbursements within the Fire Fund as public safety, and also adjustments to properly present restricted net assets.

The compilation and presentation of the financial statements and the related footnotes is the responsibility of management. This responsibility remains intact if management decides to outsource this function for efficiency purposes or any other reason.

We recommend that the Township develop and continue to monitor internal control procedures associated with the drafting and preparation of the financial statements and footnotes in order to enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes. In addition, while developing these procedures management should reduce its reliability on the Township’s auditors to perform this internal control procedure as auditors must remain independent.

**Official’s response:** The Township will develop procedures to address the financial reporting concerns identified.



**LIBERTY TOWNSHIP  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><u>Explain:</u></b>
2006-001	Financial Reporting	No	Re-issued as Finding Number 2007-003.





**Mary Taylor, CPA**  
Auditor of State

**LIBERTY TOWNSHIP**

**LICKING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 11, 2008**