

LIBERTY TOWNSHIP
ADAMS COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
YEARS AUDITED UNDER GAGAS: 2007 AND 2006

CAUDILL & ASSOCIATES CPAs

725 5TH Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Board of Trustees
Liberty Township
8868 State Route 136
P.O. Box 155
West Union, Ohio 45693

We have reviewed the *Independent Auditor's Report* of Liberty Township, Adams County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 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.

Finding for Recovery – Jacqueline DeAtley

Per Ohio Rev. Code Section 507.09, township fiscal officer salaries are based on the annual budget of the township. Liberty Township's budget in 2006 and 2007 was between \$100,001 and \$250,000. According to Ohio Rev. Code Section 507.09(A)(3), the salary for fiscal officers in townships with a budget between \$100,001 and \$250,000 was \$9,472 in 2006 and \$9,633 in 2007.

In 2006 and 2007, Liberty Township's former Fiscal Officer mistakenly used the incorrect amount when calculating fiscal officer salary. Consequently, the former fiscal officer received compensation in the amount of \$12,026 in 2006 and \$12,179 in 2007. This error resulted in an overpayment of \$5,100.

2006 & 2007 Total Amount Paid	\$24,205
2006 & 2007 Maximum Statutory Compensation	\$19,105
Total Overpayment	\$5,100

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against former Fiscal Officer Jacqueline DeAtley and her bonding company, Ohio Township Association Risk Management Authority, in the amount of \$5,100, and in favor of Liberty Township's General fund in the amount of \$4,949, and the Cemetery fund in the amount of \$151.

Finding for Recovery - Ronald Vogler

Ohio Rev. Code Section 505.24(A)(3) provides that in a township having a budget of more than \$100,000 but not more than \$250,000, the compensation of the Township Trustee shall be \$35.06 per day for not more than two hundred days for 2006, and \$35.66 per day for not more than two hundred days for 2007.

Liberty Township's budget in 2006 and 2007 was between \$100,001 and \$250,000.

In 2006 and 2007, Liberty Township's former Fiscal Officer mistakenly used the incorrect amount when calculating township trustee salaries. Consequently, Township Trustee Ronald Vogler received compensation in the amount of \$8,120 in 2006 and \$8,120 in 2007 resulting in an overpayment of \$2,096.

2006 & 2007 Total Amount Paid	\$16,240
2006 & 2007 Maximum Statutory Compensation	\$14,144
Total Overpayment	\$2,096

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Township Trustee Ronald Vogler and his bonding company, Ohio Township Association Risk Management Authority, in the amount of \$2,096, and in favor of Liberty Township's General fund in the amount of \$1,016, the Gas fund in the amount of \$915, and the Cemetery fund in the amount of \$165.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Former Township Fiscal Officer Jacqueline DeAtley signed the warrants resulting in the improper payments, therefore she and her bonding company, Ohio Township Association Risk Management Authority, are jointly and severally liable in the amount of \$2,096, and in favor of Liberty Township's General fund in the amount of \$1,016, the Gas fund in the amount of \$915, and the Cemetery fund in the amount of \$165 to the extent that recovery is not obtained from Ronald Vogler.

Finding for Recovery - Wendell Swearingen

Ohio Rev. Code Section 505.24(A)(3) provides that in a township having a budget of more than \$100,000 but not more than \$250,000, the compensation of the Township Trustee shall be \$35.06 per day for not more than two hundred days for 2006, and \$35.66 per day for not more than two hundred days for 2007.

Liberty Township's budget in 2006 and 2007 was between \$100,001 and \$250,000.

In 2006 and 2007, Liberty Township's former Fiscal Officer mistakenly the incorrect amount when calculating township trustee salaries. Consequently, Township Trustee Wendell Swearingen received compensation in the amount of \$8,120 in 2006 and \$8,120 in 2007 resulting in an overpayment of \$2,096.

2006 & 2007 Total Amount Paid	\$16,240
2006 & 2007 Maximum Statutory Compensation	\$14,144
Total Overpayment	\$2,096

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Township Trustee Wendell Swearingen and his bonding company, Ohio Township Association Risk Management Authority, in the amount of \$2,096, and in favor of Liberty Township's General fund in the amount of \$1,108, the Gas fund in the amount of \$247, and the Cemetery fund in the amount of \$741.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Former Township Fiscal Officer Jacqueline DeAtley signed the warrants resulting in the improper payments, therefore she and her bonding company, Ohio Township Association Risk Management Authority, are jointly and severally liable in the amount of \$2,096, and in favor of Liberty Township's General fund in the amount of \$1,108, the Gas fund in the amount of \$247, and the Cemetery fund in the amount of \$741 to the extent that recovery is not obtained from Wendell Swearingen.

Finding for Recovery - Steve Tomlin

Ohio Rev. Code Section 505.24(A)(3) provides that in a township having a budget of more than \$100,000 but not more than \$250,000, the compensation of the Township Trustee shall be \$35.06 per day for not more than two hundred days for 2006, and \$35.66 per day for not more than two hundred days for 2007.

Liberty Township's budget in 2006 and 2007 was between \$100,001 and \$250,000.

In 2006 and 2007, Liberty Township's former Fiscal Officer mistakenly used the incorrect amount when calculating salaries for township trustees. Consequently, Township Trustee Steve Tomlin received salaries of \$8,120 in 2006 and \$8,120 in 2007 resulting in an overpayment of \$2,096.

2006 & 2007 Total Amount Paid	\$16,240
2006 & 2007 Maximum Statutory Compensation	\$14,144
Total Overpayment	\$2,096

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Township Trustee Steve Tomlin and his bonding company, Ohio Township Association Risk Management Authority, in the amount of \$2,096, and in favor of Liberty Township's General fund in the amount of \$1,108, the Gas fund in the amount of \$865, and the Cemetery fund in the amount of \$123.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Former Township Fiscal Officer Jacqueline DeAtley signed the warrants resulting in the improper payments, therefore she and her bonding company, Ohio Township Association Risk Management Authority, are jointly and severally liable in the amount of \$2,096, and in favor of Liberty Township's General fund in the amount of \$1,108, the Gas fund in the amount of \$865, and the Cemetery fund in the amount of \$123 to the extent that recovery is not obtained from Steve Tomlin.

Board of Trustees
Liberty Township, Adams County
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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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 21, 2010

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**LIBERTY TOWNSHIP
ADAMS COUNTY**

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ADAMS COUNTY**

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Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees
Liberty Township
Adams County
8688 State Route 136
West Union, Ohio 54693

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Liberty Township (the Township), Adams County, Ohio, as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as stated in the following paragraphs, 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

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

We were not able to obtain sufficient documentation during testing of payroll disbursements. Management was unable to provide sufficient evidential matter supporting the payroll disbursements for the years ending December 31, 2007 and December 31, 2006.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to determine the validity of the amount reported as payroll disbursements for fiscal years 2007 and 2006, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Adams County, Ohio as of December 31, 2007, and 2006, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund, the Gasoline Tax Fund, the Cemetery Fund, and the Permissive Motor Vehicle License Tax Fund thereof and for the years then ended in conformity with the basis of accounting Note 2 describes.

Liberty Township
Independent Auditor's Report

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2009, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Caudill & Associates, CPAs

Caudill & Associates, CPAs

January 15, 2009

Liberty Township
Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007 and 2006
(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, 2007 and 2006, 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 and 2006 are as follows:

In 2007, the Township's net assets increased \$30,171 or 46.07% over 2006. The increase is due to decreased spending in most areas. In 2006, the Township's net assets increased \$7,057 or 12.08% as compared to 2005. Disbursement decrease dramatically from 2005 to 2006 due to decreased spending on public works projects.

The Township's general receipts are primarily property taxes. During 2007 and 2006 these receipts represented 33.57% and 26.86% respectively of the total cash received for governmental activities. Property tax receipts for 2007 increased \$14,748 or 28.44% compared to 2006. Property tax receipts for 2006 decreased \$7,519 or 16.96% compared to 2005. The Township's program receipts are primarily excise gas tax. Excise tax receipts related to fuel sales increased \$4,957 or 5.77% in 2007 over 2006, and increased \$12,524 or 17% in 2006 over 2005.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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.

Liberty Township
Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007 and 2006
(Unaudited)

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2007 and 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets 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.

Reporting the Government'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 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 non-major 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, Gas Tax Fund, the Cemetery Fund, and the Permissive Motor Vehicle License Tax Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Liberty Township
 Adams County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2007 and 2006
 (Unaudited)

The Government as a Whole

Table 1 provides a summary of the Township's net assets for 2007, 2006, and 2005 on a cash basis:

(Table 1)
 Net Assets

	Governmental Activities		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets			
Cash and Cash Equivalents	\$ 95,658	\$ 65,487	\$ 58,430
Total Assets	\$ 95,658	\$ 65,487	\$ 58,430
Net Assets			
Restricted for:			
Permanent Fund:			
Non Expendable:	\$ 4,000	\$ 4,000	\$ 4,000
Expendable:	404	404	404
Other Purposes:			
Gasoline Tax	33,720	19,955	4,917
Other Purposes	42,753	32,523	28,364
Unrestricted	14,781	8,605	20,745
Total Net Assets	\$ 95,658	\$ 65,487	\$ 58,430

As mentioned previously, net assets of governmental activities increased \$ 30,171 or 46.07% during 2007, due to less spending on most governmental activities.

Liberty Township
Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007 and 2006
(Unaudited)

Table 2 reflects the changes in net assets in 2007, 2006 and 2005.

(Table 2)
Changes in Net Assets

	Governmental Activities		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Receipts			
Program Receipts:			
Charges for Services and Sales	\$ 1,350	\$ 5,650	\$ 14,184
Operating Grants and Contributions	101,883	102,001	87,220
<i>Total Program Receipts</i>	<u>103,233</u>	<u>107,651</u>	<u>101,404</u>
General Receipts:			
Property and Other Local Taxes	66,604	51,856	44,337
Grants and Entitlements Not Restricted to Specific Programs	33,127	32,301	32,062
Miscellaneous	640	438	290
Interest	902	825	1,518
<i>Total General Receipts</i>	<u>101,273</u>	<u>85,420</u>	<u>78,207</u>
Total Receipts	<u>204,506</u>	<u>193,071</u>	<u>179,611</u>
Disbursements			
General Government	66,619	62,478	75,974
Public Safety	7,472	11,613	8,111
Public Works	77,705	103,187	229,798
Health	13,240	15,789	28,719
Capital Outlay	-	5,000	4,728
Principle Retirement	8,370	8,105	7,524
Interest	929	1,194	1,775
Total Disbursements	<u>174,335</u>	<u>207,366</u>	<u>356,629</u>
Increase (Decrease) in Net Assets	30,171	(14,295)	(177,018)
Restated Net Assets, January 1 (See Note 3)	65,487	79,782	235,448
Net Assets, December 31	<u>\$ 95,658</u>	<u>\$ 65,487</u>	<u>\$ 58,430</u>

In 2007, Program receipts represent 50.48% percent of total receipts. In 2006, program receipts represent 55.76% of total receipts. Program receipts are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

In 2007, General receipts represent 49.52% percent of the Township's total receipts, and of this amount, 65.77% percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (32.71%). Other receipts are very insignificant and somewhat unpredictable revenue sources. In 2006, General receipts represent 44.24% percent of the Township's total receipts, and of this amount, 60.71% percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (37.81%). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Liberty Township
Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007 and 2006
(Unaudited)

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of official's salaries and benefits, Township hall maintenance and utilities. Health costs are the property tax deductions to the county health department, and maintenance cost of the cemeteries. Public Works are the costs of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 10 and 18, 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 next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$ 66,619	\$ 66,619	\$ 62,478	\$ 62,478	\$ 75,974	\$ 75,874
Public Safety	7,472	7,270	11,613	10,618	8,111	7,032
Public Works	77,705	(23,952)	103,187	4,185	229,798	132,908
Health	13,240	11,866	15,789	8,135	28,719	25,391
Capital Outlay	-	-	5,000	5,000	4,728	4,723
Principle Retirement	8,370	8,370	8,105	8,105	7,524	7,524
Interest	929	929	1,194	1,194	1,775	1,773
Total Expenses	\$ 174,335	\$ 71,102	\$ 207,366	\$ 99,715	\$ 356,629	\$ 255,225

The Government's Funds

In 2007, total governmental funds had receipts of \$204,506 and disbursements of \$174,335. The greatest change within governmental funds occurred within the Gas Tax Fund. The balance of the Gas Tax Fund increased \$13,765 during 2007 Increased Excise Tax Receipts.

In 2006, total governmental funds had receipts of \$193,071 and disbursements of \$207,366. The greatest change within governmental funds occurred within the General Fund. The balance of the General Fund decreased \$25,440 during 2006.

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. General Fund receipts received in 2007 were \$2,778 greater than budgeted and \$2,795 greater than budgeted in 2006.

In 2007, final disbursements were budgeted at \$49,317 while actual disbursements were \$46,102. In 2006, final disbursements were budgeted at \$71,842 while actual disbursements were \$71,735.

Liberty Township
Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007 and 2006
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

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

Debt

Township has one note payable which was issued on January 13, 2004. The note was issued for the purpose of purchasing a truck and will mature in 2009. Principal and interest payments are due monthly. As of 12/31/07 principal still outstanding was \$8,997.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, legislative bodies, management, 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 Tammy Unger Fiscal Officer, Liberty Township, 8868 State Route 136, West Union, Ohio 45693

Liberty Township
Statement of Net Assets - Cash Basis
December 31, 2007

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$95,658</u></u>
<u>Net Assets:</u>	
Restricted for:	
Permanent Fund Purposes:	
Expendable	\$ 404
Non-expendable	4,000
Road Maintenance	54,051
Cemetery	15,890
Fire Protection	6,532
Unrestricted	<u>14,781</u>
<i>Total Net Assets</i>	<u><u>\$ 95,658</u></u>

See Accompanying Notes to the Financial Statements

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

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<u>Governmental Activities:</u>				
General Government	\$ 66,619	\$ -	\$ -	\$ (66,619)
Public Works	77,705	-	101,657	23,952
Health Services	13,240	1,350	24	(11,866)
Public Safety	7,472	-	202	(7,270)
Debt Service:				
Principal Retirement	8,370	-	-	(8,370)
Interest and Other Fiscal Charges	929	-	-	(929)
<i>Total Governmental Activities</i>	174,335	1,350	101,883	(71,102)
 General Receipts				
Property and Other Taxes Levied for:				
General Purposes				\$18,132
Cemetery				18,738
Road & Bridge				5,856
Permissive Motor Vehicle License Tax Fund				\$12,811
Fire Special Levy				11,067
Grants and Entitlements not				
Restricted to Specific Programs				33,127
Interest				902
Miscellaneous				640
<i>Total General Receipts</i>				\$101,273
Change in Net Assets				30,171
<i>Net Assets, Beginning of Year</i>				65,487
<i>Net Assets, End of Year</i>				\$ 95,658

See Accompanying Notes to the Financial Statements

Liberty Township
Statement of Assets and Fund Balances-Cash Basis-Governmental Funds
Governmental Funds
December 31, 2007

	<u>General</u>	<u>Motor Vehicle License Tax</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>						
Equity in Pooled Cash and Cash Equivalents	<u>\$14,781</u>	<u>\$33,720</u>	<u>\$15,890</u>	<u>\$13,957</u>	<u>\$17,310</u>	<u>\$95,658</u>
<u>Fund Balances:</u>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	14,781	-	-	-	-	14,781
Special Revenue Funds	-	33,720	15,890	13,957	17,310	80,877
Total Fund Balances	<u><u>\$14,781</u></u>	<u><u>\$33,720</u></u>	<u><u>\$15,890</u></u>	<u><u>\$13,957</u></u>	<u><u>\$17,310</u></u>	<u><u>\$95,658</u></u>

See Accompanying Notes to the Financial Statements

Liberty Township

Statement of Cash Receipts, Disbursements and Changes in Fund Balances-Cash Basis-Governmental Funds
Governmental Funds
December 31, 2007

	General	Gasoline Tax	Cemetery Fund	Permissive Motor Vehicle License Tax Fund	Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>						
Property Taxes	\$18,132	\$ -	\$ 18,738	\$12,811	\$16,923	\$66,604
Charges for Services	-	-	-	-	-	-
Intergovernmental	33,127	90,426	24	-	11,433	135,010
Interest	379	487	-	-	36	902
Miscellaneous	640	-	1,350	-	-	1,990
Total Receipts	52,278	90,913	20,112	12,811	28,392	204,506
<u>Disbursements:</u>						
Current:						
General Government	36,803	13,264	6,819	9,613	120	66,619
Public Works	-	63,884	-	-	13,821	77,705
Health	-	-	13,240	-	-	13,240
Public Safety	-	-	-	-	7,472	7,472
Debt Service:						
Principal Retirement	8,370	-	-	-	-	8,370
Interest and Other Fiscal Charges	929	-	-	-	-	929
Total Disbursements	46,102	77,148	20,059	9,613	21,413	174,335
Net Change in Fund Balances	6,176	13,765	53	3,198	6,979	30,171
Fund Balances (Deficit) Beginning of Year	8,605	19,955	15,837	10,759	10,331	65,487
Fund Balances (Deficit) End of Year	\$14,781	\$33,720	\$15,890	\$13,957	\$17,310	\$95,658

See Accompanying Notes to the Financial Statements

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

	Budgeted Amounts		Actual	<i>Variance Positive (Negative)</i>
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 13,720	\$ 19,720	\$ 18,132	\$ (1,588)
Intergovernmental	29,000	29,000	33,127	4,127
Interest	500	500	379	(121)
Miscellaneous	280	280	640	360
<i>Total Receipts</i>	43,500	49,500	52,278	2,778
<u>Disbursements:</u>				
Current:				
General Government	40,018	40,018	36,803	3,215
Principle Retirement	8,438	8,438	8,370	68
Interest and Fiscal Charges	861	861	929	(68)
<i>Total Disbursements</i>	49,317	49,317	46,102	3,215
Excess of Receipts Over (Under) Disbursements	(5,817)	183	6,176	5,993
Fund Balance Beginning of Year	8,605	8,605	8,605	-
Fund Balance End of Year	\$ 2,788	\$ 8,788	\$ 14,781	\$ 5,993

See Accompanying Notes to the Financial Statements

Liberty Township
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
Gasoline Tax Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	<i>Variance Positive (Negative)</i>
	Original	Final		
<u>Receipts:</u>				
Intergovernmental	\$ 58,000	\$ 58,000	\$ 90,426	\$ 32,426
Interest	250	250	487	237
				-
<i>Total Receipts</i>	58,250	58,250	90,913	32,663
<u>Disbursements:</u>				
Current:				
General Government	13,264	13,264	13,264	-
Public Works	64,657	64,657	63,884	773
<i>Total Disbursements</i>	77,921	77,921	77,148	773
Excess of Receipts Over (Under) Disbursements	(19,671)	(19,671)	13,765	33,436
Fund Balance Beginning of Year	19,955	19,955	19,955	-
Fund Balance End of Year	\$ 284	\$ 284	\$ 33,720	\$ 33,436

See Accompanying Notes to the Financial Statements

Liberty Township
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
Cemetery Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 15,000	\$ 15,000	\$ 18,738	\$ 3,738
Intergovernmental	1,000	1,000	24	(976)
Miscellaneous	500	500	1,350	850
<i>Total Receipts</i>	16,500	16,500	20,112	3,612
<u>Disbursements:</u>				
General Government	7,066	7,066	6,819	247
Health	18,715	18,715	13,240	5,475
<i>Total Disbursements</i>	25,781	25,781	20,059	5,722
Excess of Receipts Over (Under) Disbursements	(9,281)	(9,281)	53	9,334
Fund Balance Beginning of Year	15,837	15,837	15,837	-
Fund Balance End of Year	\$ 6,556	\$ 6,556	\$ 15,890	\$ 9,334

See Accompanying Notes to the Financial Statements

Liberty Township
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
Permissive Motor Vehicle License Tax Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 9,000	\$ 9,000	\$ 12,811	\$ 3,811
<i>Total Receipts</i>	<u>9,000</u>	<u>9,000</u>	<u>12,811</u>	<u>3,811</u>
<u>Disbursements:</u>				
Public Works	9,613	9,613	9,613	-
<i>Total Disbursements</i>	<u>9,613</u>	<u>9,613</u>	<u>9,613</u>	<u>-</u>
Excess of Receipts Over (Under) Disbursements	<u>(613)</u>	<u>(613)</u>	<u>3,198</u>	<u>3,811</u>
Fund Balance Beginning of Year	<u>10,759</u>	<u>10,759</u>	<u>10,759</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 10,146</u>	<u>\$ 10,146</u>	<u>\$ 13,957</u>	<u>\$ 3,811</u>

See Accompanying Notes to the Financial Statements

Liberty Township
Statement of Net Assets - Cash Basis
December 31, 2006

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 65,487</u>
 <u>Net Assets:</u>	
Restricted:	
Permanent Fund Purposes:	
Expendable	\$ 404
Non-expendable	4,000
Road Maintenance	33,786
Cemetery	15,837
Fire Protection	2,855
Unrestricted:	<u>8,605</u>
 <i>Total Net Assets</i>	 <u><u>\$ 65,487</u></u>

See Accompanying Notes to the Financial Statements

Liberty Township
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<u>Governmental Activities:</u>				
General Government	\$ 62,478	\$ -	\$ -	\$ (62,478)
Public Works	103,187	-	99,002	(4,185)
Health Services	15,789	5,650	2,004	(8,135)
Public Safety	11,613	-	995	(10,618)
Capital Outlay	5,000	-	-	(5,000)
Debt Service:				-
Principal Retirement	8,105	-	-	(8,105)
Interest and Other Fiscal Charges	1,194	-	-	(1,194)
<i>Total Governmental Activities</i>	207,366	5,650	102,001	(99,715)
 General Receipts				
Property and Other Taxes Levied for:				
General Purposes				\$13,522
Cemetery				16,506
Road & Bridge				3,866
Permissive Motor Vehicle License Tax Fund				\$9,813
Fire Special Levy				8,149
 Grants and Entitlements not				
Restricted to Specific Programs				32,301
Interest				825
Miscellaneous				438
<i>Total General Receipts</i>				85,420
Change in Net Assets				(14,295)
<i>Restated Net Assets Beginning of Year</i>				79,782
<i>Net Assets End of Year</i>				\$ 65,487

See Accompanying Notes to the Financial Statements

Liberty Township
Statement of Assets and Fund Balances-Cash Basis-Governmental Funds
Governmental Funds
December 31, 2006

	<u>General</u>	<u>Gasoline Tax</u>	<u>Cemetery Fund</u>	<u>Permissive Motor Vehicle License Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>						
Equity in Pooled Cash and Cash Equivalents	\$8,605	\$19,955	\$15,837	\$10,759	\$10,331	\$65,487
<u>Fund Balances:</u>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	8,605	-	-	-	-	8,605
Special Revenue Funds	-	19,955	15,837	10,759	10,331	56,882
Total Fund Balances	<u>\$8,605</u>	<u>\$19,955</u>	<u>\$15,837</u>	<u>\$10,759</u>	<u>\$10,331</u>	<u>\$65,487</u>

See Accompanying Notes to the Financial Statements

Liberty Township
Statement of Cash Receipts, Disbursements and Changes in Fund Balances-Cash Basis-Governmental Funds
Governmental Funds
December 31, 2006

	General	Gasoline Tax	Cemetery Fund	Permissive Motor Vehicle License Tax Fund	Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>						
Property Taxes	\$13,522	\$ -	\$ 16,506	\$9,813	\$12,015	\$51,856
Intergovernmental	31,836	85,667	2,004	-	14,795	134,302
Interest	499	289	-	-	37	825
Miscellaneous	438	-	5,650	-	-	6,088
<i>Total Receipts</i>	<u>46,295</u>	<u>85,956</u>	<u>24,160</u>	<u>9,813</u>	<u>26,847</u>	<u>193,071</u>
<u>Disbursements:</u>						
Current:						
General Government	62,436	-	-	-	42	62,478
Public Works	-	72,018	-	12,712	18,457	103,187
Health	-	-	15,789	-	-	15,789
Public Safety	-	-	-	-	11,613	11,613
Capital Outlay	-	-	5,000	-	-	5,000
Debt Service:						
Principal Retirement	8,105	-	-	-	-	8,105
Interest and Other Fiscal Charges	1,194	-	-	-	-	1,194
<i>Total Disbursements</i>	<u>71,735</u>	<u>72,018</u>	<u>20,789</u>	<u>12,712</u>	<u>30,112</u>	<u>207,366</u>
Net Change in Fund Balances	(25,440)	13,938	3,371	(2,899)	(3,265)	(14,295)
Restated Fund Balances (Deficit) Beginning of Year	<u>34,045</u>	<u>6,017</u>	<u>12,466</u>	<u>13,658</u>	<u>13,596</u>	<u>79,782</u>
Fund Balances (Deficit) End of Year	<u>\$8,605</u>	<u>\$19,955</u>	<u>\$15,837</u>	<u>\$10,759</u>	<u>\$10,331</u>	<u>\$65,487</u>

See Accompanying Notes to the Financial Statements

Liberty Township
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 13,720	\$ 13,720	\$ 13,522	\$ (198)
Intergovernmental	29,000	29,000	31,836	2,836
Interest	500	500	499	(1)
Miscellaneous	280	280	438	158
<i>Total Receipts</i>	43,500	43,500	46,295	2,795
<u>Disbursements:</u>				
Current:				
General Government	60,795	62,543	62,436	107
Principle Retirement	7,948	8,105	8,105	-
Interest and Fiscal Charges	1,351	1,194	1,194	-
<i>Total Disbursements</i>	70,094	71,842	71,735	107
Excess of Receipts Over (Under) Disbursements	(26,594)	(28,342)	(25,440)	2,902
Net Change in Fund Balance	(26,594)	(28,342)	(25,440)	2,902
Restated Fund Balance Beginning of Year	34,045	34,045	34,045	-
Fund Balance End of Year	\$ 7,451	\$ 5,703	\$ 8,605	\$ 2,902

See Accompanying Notes to the Financial Statements

Liberty Township
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
Gasoline Tax Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Intergovernmental	\$ 58,000	\$ 58,000	\$ 85,667	\$ 27,667
Interest	250	250	289	39
<i>Total Receipts</i>	<u>58,250</u>	<u>58,250</u>	<u>85,956</u>	<u>27,706</u>
<u>Disbursements:</u>				
Current:				
Public Works	62,414	72,414	72,018	396
<i>Total Disbursements</i>	<u>62,414</u>	<u>72,414</u>	<u>72,018</u>	<u>396</u>
Excess of Receipts Over (Under) Disbursements	(4,164)	(14,164)	13,938	28,102
Restated Fund Balance Beginning of Year	<u>6,017</u>	<u>6,017</u>	<u>6,017</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 1,853</u>	<u>\$ (8,147)</u>	<u>\$ 19,955</u>	<u>\$ 28,102</u>

See Accompanying Notes to the Financial Statements

Liberty Township
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
Cemetery Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 14,570	\$ 14,570	\$ 16,506	\$ 1,936
Intergovernmental	1,000	1,000	2,004	1,004
Miscellaneous	2,230	2,230	5,650	3,420
<i>Total Receipts</i>	<u>17,800</u>	<u>17,800</u>	<u>24,160</u>	<u>6,360</u>
<u>Disbursements:</u>				
Health	17,709	19,209	15,789	3,420
Capital Outlay	5,000	5,000	5,000	-
<i>Total Disbursements</i>	<u>22,709</u>	<u>24,209</u>	<u>20,789</u>	<u>3,420</u>
Excess of Receipts Over (Under) Disbursements	<u>(4,909)</u>	<u>(6,409)</u>	<u>3,371</u>	<u>9,780</u>
Net Change in Fund Balance	<u>(4,909)</u>	<u>(6,409)</u>	<u>3,371</u>	<u>9,780</u>
Restated Fund Balance Beginning of Year	<u>12,466</u>	<u>12,466</u>	<u>12,466</u>	<u>-</u>
Fund Balance End of Year	<u><u>\$ 7,557</u></u>	<u><u>\$ 6,057</u></u>	<u><u>\$ 15,837</u></u>	<u><u>\$ 9,780</u></u>

See Accompanying Notes to the Financial Statements

Liberty Township
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
Permissive Motor Vehicle License Tax Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 10,000	\$ 10,000	\$ 9,813	\$ (187)
<i>Total Receipts</i>	<u>10,000</u>	<u>10,000</u>	<u>9,813</u>	<u>(187)</u>
<u>Disbursements:</u>				
Public Works	15,188	15,188	12,712	2,476
<i>Total Disbursements</i>	<u>15,188</u>	<u>15,188</u>	<u>12,712</u>	<u>2,476</u>
Excess of Receipts Over (Under) Disbursements	<u>(5,188)</u>	<u>(5,188)</u>	<u>(2,899)</u>	<u>2,289</u>
Restated Fund Balance Beginning of Year	<u>13,658</u>	<u>13,658</u>	<u>13,658</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 8,470</u>	<u>\$ 8,470</u>	<u>\$ 10,759</u>	<u>\$ 2,289</u>

See Accompanying Notes to the Financial Statements

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 1 – Reporting Entity

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

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Village of West Union for fire protection.

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

Governmental Funds

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

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

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

Cemetery Fund – This fund receives property tax money to maintain the cemeteries.

Permissive Motor Vehicle License Tax – Receives money from all motor vehicle licenses sold in the Township and is used for constructing, maintaining, and repairing Township roads.

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

E. Cash and Investments

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

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

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 were \$379 and during 2006 were \$499.

F. Capital Assets

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

G. Interfund Receivables/Payables

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

H. Employer Contributions to Cost-Sharing Pension Plans

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

I. Long-Term Obligations

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

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 2 – Summary of Significant Accounting Policies (continued)

J. Net Assets

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

The Township’s policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. Restricted net assets represent \$80,877 of a total fund balance of \$95,658 in 2007 and \$56,882 of a total fund balance of \$65,487 in 2006.

Note 3 – Restatement of Fund Balance

During the audit period adjustments were made to the major funds to cancelled checks that had been outstanding for more than one year causing the following changes in the fund balances:

Fund	Fund Balance 2005-Ending	Adjustment	Fund Balance 2006-Beginning
General Fund	\$ 20,745	\$ 13,300	\$ 34,045
Gasoline Tax Fund	4,917	1,100	6,017
Cemetery Fund	12,425	41	12,466
Permissive Motor Vehicle License Tax Fund	6,747	6,911	13,658

Note 4 – Compliance

- (1) Ohio Rev. Code 149.351 provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of. Some records requested for the audit could not be obtained and additional audit procedures were required.
- (2) Ohio Rev. Code 5705.41(D) states that no orders of contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The Township did not properly certify the availability of funds prior to obligation for 50% or 24,513 in 2007 and 79% or \$27,890 in 2006.
- (3) Ohio Rev. Code 5705.40 allows for the Township to amend appropriations by resolution of the Board of Trustees. During both 2007 and 2006 the Township posted many supplemental appropriations that were not approved by vote of the Board of Trustee.
- (4) Ohio Rev. Code 5705.39 states that total appropriations from each fund shall not exceed the total amount of estimated resources certified with the county Auditor. The Township appropriated more money than was certified on the certificate on the certificate of estimated resources filed with the county Auditor in the Gas tax, Road and Bridge and Cemetery fund during 2006.
- (5) Ohio Rev. Code 4123.26 states that every employer shall keep records of, and furnish to the bureau of worker’s compensation upon request, all information required by the administrator of workers’ compensation. The Township failed to submit an annual statement to the Bureau of Worker’s Compensation in regards to their payroll.

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 4 – Compliance (continued)

- (6) Ohio Rev. Code 4123.24 state that every employer amenable to this chapter shall keep, preserve, and maintain complete records showing in detail all expenditures for payroll and the division of such expenditures in to the various divisions and classifications of the employer's business. The Township did not maintain complete records showing in detail all expenditures for payroll and the division of such expenditures.
- (7) Ohio Rev. Code Section 5747.07 (B)(4) requires employers to make payment of unremitted state income taxes for each calendar quarter during which they were required to be withheld. The Township did not properly remit state income tax withholdings or complete and file the required forms to the state for employee withholdings for 2007 and 2006.
- (8) Ohio Rev. Code 505.02 requires that each township trustee, before entering upon the discharge of official duty, shall give bond to the state for the use of the township, in the sum of one thousand dollars, conditioned for the faithful performance of duty as trustee, with at least two sureties, each of whom shall be a resident of the same township with the trustee or a corporate surety authorized to do business in the state. One trustee was not properly bonded.
- (9) Ohio Rev. Code 135.12 requires township to designate a financial institution to receive deposits of public funds. The township depository agreement expired 12/31/06 and was not immediately renewed. Township had no depository agreement in place during audit period.
- (10) 26 United States Code, Section 3403, provides employers are liable for taxes deducted and withheld. The Township did not properly remit any federal income tax and Medicare withholdings for 2007 or 2006.
- (11) The Ohio Revised Code Section 507.09 sets forth the compensation levels of township fiscal officer. The amount of compensation allowed varies with the Township budget as outlined in the section. Contrary to this requirement, the township fiscal officer was overpaid by \$2,707 and \$2,546 in 2007 and 2006 respectively.
- (12) Ohio Revised Code Section 505.24 (A) requires that Township trustees be compensated on either a per diem or salary basis. The amount of compensation allowed varies with the Township budget, as outlined in the section. Contrary to this requirement, the township trustees were each overpaid by \$1,108 and \$989 in 2007 and 2006 respectively.

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and any major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). Township had no encumbrances outstanding at year end (budgetary basis) 2007 or 2006.

Note 6 – Deposits and Investments

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

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

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 6 – Deposits and Investments (Continued)

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2006, the Township's bank balance of \$79,281 was not exposed to custodial credit risk, and at year end 2007, \$13,045 of the Township's bank balance of \$113,045 was exposed to custodial credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 6 – Deposits and Investments (Continued)

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

Investments

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

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility 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 property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2006, and are collected with real property taxes. Public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. 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.

The full tax rate for all Township operations for the year ended December 31, 2007 and 2006, was \$2.99 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 and 2006 property tax receipts were based are as follows:

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 7 – Property Taxes (continued)

	2006	2007
Real Property:		
Residential	\$ 12,896,040	\$ 13,596,150
Agriculture	5,571,760	5,632,630
Commercial/ Industrial/ Mineral	929,440	777,300
Public Utility Property:		
Personal	2,110,860	2,121,380
Tangible Personal Property	34,400	124,960
Total Assessed Value	21,542,500	22,252,420

Note 8 – Risk Management

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

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

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

Casualty Coverage

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. 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 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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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 \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members’ total insurable value.

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 8 – Risk Management (Continued)

If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year’s premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

Casualty Coverage	2007	2006		
Assets	\$ 43,210,703	\$ 42,042,275		
Liabilities	(13,375,837)	(12,120,661)		
Retained Earnings	\$ 29,852,866	\$ 29,921,614		

The Casualty Coverage assets and retained earnings above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The asset and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from member when the related claims are due for payment. The township share of these unpaid claims collectible in future years is approximately \$ 4,000. This payable includes the subsequent year’s contribution due if the Township terminates participation, as described in the last paragraph below.

Based on Discussions with OTARMA, the expected rates 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.

Year	<u>Contribution</u>
2007	\$3,996
2006	-0-
2005	\$3,996

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 8 – Risk Management (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 budgetary contribution. Withdrawing members have no other future obligations 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 9 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 4321 5-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2007 and 2006, the members of all three plans were required to contribute 9 percent and 9.5 percent respectively of their annual covered salaries. The Township's contribution rate for pension benefits for 2007 and 2006 was 13.7 and 13.85 percent respectively. 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, 2007, 2006 and 2005 were \$10,090, \$11,777 and \$8,060 respectively. The full amount has been contributed for 2007 and 2006.

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB*

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 10 – Post Employment Benefit (continued)

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 2007 and 2006 local government employer contribution rate was 13.85 and 13.7 percent respectively of covered payroll; 4.5 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, 2006, include a rate of return on investments of 6.5 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 .5 and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 374,979 and 362,130 for 2007 and 2006 respectively. Actual Township contributions for 2007 which were used to fund postemployment benefits were \$11,777. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30 billion and \$18.7 billion, respectively

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contributions increased as of January 1, 2006, January 1, 2007, and January 1, 2008 which allowed more funds to be allocate to the health care plan.

Note 11 – Debt

Debt outstanding at December 31, 2007, was as follows:

Truck Loan - National Bank of Adams County

Principal 1/1/2007	Additions	Principal Payments	Principal 12/31/2007	Amount Due within 1 year
17,367	-	8,370	8,997	8,233

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 11 – Debt (Continued)

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

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

Year	Amount due	Principal	Interest
2008	8,528	8,233	295
2009	768	764	4
Total	9,296	8,997	299

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public 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
Adams County
8868 State Route 136
West Union, Ohio 45693

We have audited the financial statements of Liberty Township (the Township), Adams County, as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated January 15, 2009 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America, which was qualified for lack of evidential matter regarding payroll disbursements for fiscal years 2007 and 2006. Except for the scope limitation described above, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiency described in the accompanying schedule of findings and responses to be significant deficiency in internal control over financial reporting as items 2007-002, 2007-004, 2007-013 and 2007-014.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the following deficiencies described in the accompanying schedule of findings and responses to be a material weaknesses in internal control over financial reporting as items 2007-004 and 2007-013.

Liberty Township
Adams County

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*

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 statement 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 twelve instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2007-001, 2007-002, 2007-003, 2007-004, 2007-005, 2007-006, 2007-007, 2007-008, 2007-009, 2007-010, 2007-011, and 2007-012.

We noted certain matters that we reported to the Township's management in a separate letter dated January 15, 2009.

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.

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's

January 15, 2009

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Noncompliance Citation – Ohio Rev. Code Section 135.12

Ohio Rev. Code Sections 135.12 requires local governments to designate depositories.

No documentation for a depository agreement was provided for 2006 and 2007.

We recommend that the Township file a depository agreement and ensure that this agreement is renewed timely whenever necessary.

Township Response:

The Township will ensure that a depository agreement is filled at all times.

FINDING NUMBER 2007-002

Significant Deficiency/Noncompliance Citation - Ohio Rev. Code Section 149.351

The Ohio Revised Code Section 149.351 provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of.

Some of the vouchers, payroll records and documentation for expenditure requested for the audit could not be obtained because they were destroyed by a flood.

The Township did not provide documentation for a memo warrant posted to the fiscal officer in the amount of \$265 as a reimbursement in 2006

Failure to maintain records in a secure manner increases the possibility that errors or irregularities could occur and not be detected in a timely manner, and could result in findings for recovery against the officials involved.

The Township officials should ensure that all township records are kept in a safe and secure location and thus not damaged, transferred or disposed.

Township Response:

The Township will ensure that all township records are kept in a safe and secure location.

FINDING NUMBER 2007-003

Noncompliance Citation – Ohio Rev. Code Section 505.02

Ohio Revised Code Section 505.02 states that each township trustee, before entering up the discharge of his duty, shall give bond to the state for the use of the township, in the sum of one thousand dollars, conditioned for the faithful performance of his duty as trustee, with at least two sureties, each of whom shall be a resident of the same township with the trustee or a corporate surety authorized to do business in this state.

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-003 (Continued)

Such bond shall be approved by a judge of the county court of a municipal court having jurisdiction in the township.

This bond shall be recorded by the township fiscal officer, filed with the county treasurer, and carefully preserved.

Contrary to this requirement, one township trustee was not bonded during 2006 and 2007.

Having any trustee not bonded may lead to the Township incurring uninsured losses.

We recommend that the Township ensure that all trustees are bonded in the amount of at least one thousand dollars as per O.R.C 505.02.

Township Response:

The Township will ensure that all trustees are bonded for the required to be bonded for at least \$1,000.

FINDING NUMBER 2007-004

Significant Deficiency/Material Weakness/Noncompliance Citation – Ohio Rev. Code Section 4123.24

Ohio Revised Code Section 511.13 states that every employer amenable to this chapter shall keep, preserve, and maintain complete records showing in detail all expenditures for payroll and the division of such expenditures into the various divisions and classifications of the employer's business. The records shall be preserved for at least five years after the respective times of the transactions upon which the records are based.

All books, records, papers, and documents reflecting upon the amount and the classifications of the payroll expenditures of an employer shall be kept available for inspection at any time by the bureau of workers' compensation or any of its assistants, agents, representatives, or employees. If an employer fails to keep, preserve, and maintain the records and other information reflecting upon payroll expenditures, fails to make the records and information available for inspection, or fails to furnish to the bureau or any of its assistants, agents, representatives, or employees, full and complete information in reference to expenditures for payroll when the information is requested, the bureau may determine the amount of premium due from the employer upon such information as is available to it, and its findings are prima-facie evidence of the amount of premium due from the employer.

Contrary to this requirement, the Township did not keep, preserve, or maintain complete records showing in detail all expenditures for payroll and the division of such expenditures into the various divisions and classifications of the employer's business.

Failure to maintain payroll records could lead to deficient spending and other budgetary problems for the Township.

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-004(Continued)

We recommend the Township maintain complete payroll records for inspection at any time by the BWC or any of its assistants, agents, representatives, or employees.

Township Response:

The Township will ensure that all payroll records are maintained.

FINDING NUMBER 2007-005

Noncompliance Citation – Ohio Rev. Code Section 4123.26

The Ohio Revised Code Section 4123.26 states that every employer shall keep records of, and furnish to the bureau of workers' compensation upon request, all information required by the administrator of workers' compensation to carry out this chapter. In January of each year, every employer of the state employing one or more employees regularly in the same business, or in or about the same establishment, shall prepare and mail to the bureau at its main office in Columbus a statement containing the following information, as applicable:

(A) The number of employees employed during the preceding year from the first day of January through the thirty-first day of December;

(B) The number of such employees employed at each kind of employment and the aggregate amount of wages paid to such employees;

(C) If an employer elects to obtain other-states' coverage pursuant to section 4123.292 of the Revised Code through either the administrator, if the administrator elects to offer such coverage, or another states' insurer for claims arising in a state or states other than this state, all of the following information:

(1) The amount of wages the employer paid to the employer's employees for performing labor or providing services for the employer in this state;

(2) The amount of wages the employer paid to the employer's employees for performing labor or providing services for the employer in a state or states other than this state.

The Township did not submit an annual statement to the Bureau of Workers' Compensation.

Failure to submit an annual statement may result in the Township paying unnecessary expenditures to the Bureau of Workers' Compensation for fines, penalties, and interest.

We recommend the Township submit its annual statement to the Bureau of Workers' Compensation as required by ORC Section 4123.26.

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-005 (Continued)

Township Response:

The Township will submit its annual statement to the Bureau of Workers' Compensation as required.

FINDING NUMBER 2007-006

Noncompliance Citation – Ohio Rev. Code Section 5705.39

Ohio Rev. Code Section 5705.39 states total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded estimated revenue for the Motor Vehicle License Tax Fund by \$959, the Gasoline Tax Fund by \$8,147, and the Road and Bridge Fund by \$609.

The Township should monitor the budgetary financial reports throughout the year and amend its budgeted resources and appropriations as needed by resolution.

Township Response:

The Township will monitor budgetary activities more closely.

FINDING NUMBER 2007-007

Noncompliance Citation – Ohio Rev. Code Section 5705.40

Ohio Revised Code Section 5705.40 allows for the Township to amend or supplement any appropriation ordinance by resolution of the Board of Trustees, and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

The Township posted several supplemental appropriations during 2006 and 2007 that were not approved by vote of the Board of Trustees.

This could lead to deficient spending and other budgetary problems for the Township.

The Fiscal Officer should ensure that all appropriation ordinance amendments are approved by the Board of Trustees at all times.

Township Response:

The Township will monitor budgetary activities more closely.

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-008

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D) (1)

Ohio Rev. Code Section 5705.41 (D) (1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D) (1):

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due.

The taxing authority has 30 days from the receipt of the “then and now” certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Township did not properly certify the availability of funds prior to obligation for 78.8% of purchases tested in 2006 and 50% of the purchases tested in 2007

We recommend the Township implement policies to ensure that all purchases first have monies certified by the Fiscal Officer before purchasing or ordering an item. We also recommend the use of a “then and now” certificate in instances of emergency or absence of proper authority.

Township Response:

The Township will monitor the proper certifying of expenditures more closely.

FINDING NUMBER 2007-009

Noncompliance Citation - Ohio Rev. Code Sections 5747.06 and 5747.07

The Ohio Revised Code Section 5747.06 requires every employer to deduct and withhold from employees' compensation, a state income tax. Ohio Revised Code Section 5747.07 requires an employer to make the payment of un-deposited taxes each quarter of the year.

The Township did not remit its State Income Taxes each quarter as required for the years 2001-2007.

Failure to remit the state tax withholding will result in the assessment of penalties and interest against the Township.

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-009 (Continued)

The fiscal officer should submit payments on a timely basis to avoid the unnecessary expenditure of public funds for late fees.

Township Response:

The Township will ensure that state taxes are withheld and remitted as required.

FINDING NUMBER 2007-010

Noncompliance Citation – Title 26: Internal Revenue Code; Subtitle C: Employment Taxes; Chapter 24: Collection of Income Tax at Source on Wages; Sections 3403 and 3404.

Section 3403, Liability for Tax, states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter and shall not be liable to any person for the amount of any such payment.

Section 3404, Return and Payment by Governmental Employer, states that if the employer is in the United States, or a State, or a political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing, the return of the amount deducted and withheld upon any wages may be made by any officer or employee of the United States, or of such State, or political subdivision, or the District of Columbia, or of such agency or instrumentality, as they case may be, having control of the payment of such wages, or appropriately designated for the purpose.

The Township did not remit its federal income taxes on a timely basis for the years 2003-2007.

Failure to remit withholdings federal income taxes may result in the assessment of fines, penalties, and interest by the IRS.

We recommend the Township remit taxes on a timely basis to avoid the unnecessary expenditure of public funds for fines, penalties, and interest.

Township Response:

The Township will monitor the payment of taxes and will ensure that taxes are remitted timely.

FINDING NUMBER 2007-011

Noncompliance Citation – Ohio Rev. Code Section 505.24 (A)

Ohio Revised Code Section 505.24 (A) requires that Township trustees be compensated on either a per diem or salary basis. The amount of compensation allowed varies with the Township budget, as outlined in the section.

Budget amounts used should be the amount of money that the budget commission certifies that the township would have available for expenditures during the fiscal year, as shown on the latest amended official certificate of estimated resources of that year.

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-011 (Continued)

Contrary to this requirement, the township trustees were each overpaid by \$988 and \$1,108 in 2007 and 2006 respectively.

Failure to compensate the township trustees as required by this section may lead to misappropriation of township funds.

Township Response:

The Township will monitor the compensation of elected officials to ensure that all payments are made in accordance to the Ohio Revised Code.

FINDING NUMBER 2007-012

Noncompliance Citation – Ohio Rev. Code Section 507.09

Ohio Revised Code Section 507.09 sets forth the compensation levels of township fiscal officer. The amount of compensation allowed varies with the Township budget as outlined in the section.

Budget amounts used should be the amount of money that the budget commission certifies that the township would have available for expenditures during the fiscal year, as shown on the latest amended official certificate of estimated resources of that year.

Contrary to this requirement, the township fiscal officer was overpaid by \$2,546 and \$2,554 in 2007 and 2006 respectively.

Failure to compensate the township trustees as required by this section may lead to misappropriation of township funds.

Township Response:

The Township will monitor the compensation of elected officials to ensure that all payments are made in accordance to the Ohio Revised Code.

FINDING NUMBER 2007-013

Significant Deficiency/Material Weakness – Internal Controls

The Township's Fiscal Officer did not present monthly financial reports to the Trustees for all months of the audit period. This may lead to deficient spending or other budgetary issues. It may also lead to misappropriation of the Township's assets.

The Township Fiscal Officer should present financial reports to the Trustees on a monthly basis for their review.

We recommend the Township present a detailed monthly financial report to the Trustees for monitoring of legal compliance, financial condition, and controls over safeguarding of assets.

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-013 (Continued)

Township Response:

The Township will ensure that monthly financial reports are presented to the Board of Trustees on a monthly basis for their review.

FINDING NUMBER 2007-014

Significant Deficiency - Payroll Procedures

In 2007 and 2006, timesheets were not signed by a supervisor prior to payment. Failure to review and authorize timesheets could lead to errors and discrepancies in hours compensated.

All timesheets including upper management's, should have supervision to ensure the accuracy of hours worked. As well, all timesheets should be dated to document the date and amount of work performed for appropriation purposes.

We recommend the Township develop and adopt appropriate procedures to ensure that all timesheets are properly reviewed and authorized.

Township Response:

The Township will ensure that all timesheets are reviewed and signed as documentation for approval prior to any payments being made.

**LIBERTY TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005 - 001	507.04(A) Accurate Record of Proceedings	Yes	
2005 - 002	5705.41(B) Expenditures Exceeding Appropriations	Yes	
2005 - 003	Monitoring Controls of Financial Reporting	No	Not Corrected. Reissue as 2007 - 014
2005 - 004	26 U.S.C. Section 3403 remittance of Federal Income Tax and Medicare withholdings	No	Not Corrected. Reissue as 2007 - 011



Mary Taylor, CPA
Auditor of State

LIBERTY TOWNSHIP

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 2, 2010**