

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO
REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2010**



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Liberty Township, Butler County, prepared by Cassidy Schiller & Associates Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 24, 2012

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**Liberty Township
Butler County, Ohio
For the Year Ended December 31, 2010**

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INDEPENDENT AUDITOR'S REPORT

To the Township Trustees
Liberty Township, Butler County, Ohio



We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Butler County, Ohio as of and for the year ended December 31, 2010, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Liberty Township, Butler County, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the 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, Liberty Township, Butler County, Ohio, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty Township, Butler County, Ohio, as of December 31, 2010, and the respective changes in financial position—modified cash basis and the respective budgetary fund comparison for the General, Fire and Police funds, thereof and for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in dark ink, appearing to read 'CSA', is written over the date.

December 15, 2011

CERTIFIED PUBLIC ACCOUNTANTS

4705 Lake Forest Drive

Cincinnati, Ohio 45242

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800/378.8606

Liberty Township, Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
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, 2010, within the limitations of the Township's modified 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 2010 are as follows:

The Township passed a 4 mill continuous fire levy in 2010. This levy replaced a 3.5 mill five year levy that originated back in 2006. This levy is in addition to another 3 mill continuous levy, which has an effective rate of 1.96848 and originated back in 1999. This levy helps pay for all fire services and personnel.

The grand opening of a new fire station and additional salt storage facility took place. The fire station replaced one of the fire stations built in the early 1950's. The additional salt storage facility was built to improve the operation of treating the roads during the winter snowfall. Both of these capital improvement projects came in on time and under budget.

Net assets of governmental activities increased \$2,019,028 or 13 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Capital Project fund. This is largely due to the increased Residential Incentive District (RID) revenue received. This revenue helps to fund projects within the Township, which may not be possible without this funding mechanism.

The Township's general receipts are primarily property and other local taxes. These receipts represent \$17,218,229 or 83 percent, of the total cash received for governmental activities during the year.

The Township had \$18,654,698 in disbursements; only \$2,504,957 of these disbursements were offset by program specific charges for services and sales, grants and contributions.

Using the Basic Financial Statements

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

Report Components

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

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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than what is required by generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2010, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments 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 modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property taxes.

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

Reporting the Township's Most Significant Funds

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

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

Liberty Township, Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2010 compared to 2009 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities		
	2010	2009	Change
Assets			
General Government	<u>\$ 17,588,936</u>	<u>\$ 15,569,854</u>	<u>\$ 2,019,082</u>
Capital Outlay	\$ 4,827,853	\$ 3,697,101	\$ 1,130,752
Debt Service	866,813	4,602	862,211
Public Safety	5,646,977	6,004,296	(357,319)
Public Works	1,562,094	1,708,095	(146,001)
Other Purposes	121,614	155,087	(33,473)
Unrestricted	<u>4,563,585</u>	<u>4,000,673</u>	<u>562,912</u>
<i>Total Net Assets</i>	<u>\$ 17,588,936</u>	<u>\$ 15,569,854</u>	<u>\$ 2,019,082</u>

As mentioned previously, net assets of governmental activities increased \$2,019,082 or 13 percent during 2010. The primary reason is the increased Residential Incentive District (RID) revenue received. This revenue helps to fund projects within the Township, which may not be possible without this funding mechanism.

Liberty Township, Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Table 2 reflects the changes in net assets on a modified cash basis in 2010 and 2009.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2010	2009
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 1,175,813	\$ 1,133,189
Operating Grants and Contributions	1,329,144	1,111,290
Total Program Receipts	<u>2,504,957</u>	<u>2,244,479</u>
General Receipts:		
Property and Other Local Taxes	17,218,229	12,810,750
Grants and Entitlements Not Restricted to Specific Programs	730,459	878,261
Earnings on Investments	62,651	237,194
Miscellaneous	157,484	143,364
Total General Receipts	<u>18,168,823</u>	<u>14,069,569</u>
Total Receipts	<u>20,673,780</u>	<u>16,314,048</u>
Disbursements:		
General Governments	8,434,930	6,556,341
Public Safety	6,321,034	6,141,231
Public Works	1,443,205	1,173,364
Health	25,162	33,196
Conservation-Recreation	233,145	235,395
Capital Outlay	1,153,026	4,093,595
Debt Service:		
Principal Retirement	560,000	583,141
Interest and Fiscal Charges	484,196	510,430
Total Disbursements	<u>18,654,698</u>	<u>19,326,693</u>
Excess (Deficiency) Before Transfers	2,019,082	(3,012,645)
Increase (Decrease) in Net Assets	<u>2,019,082</u>	<u>(3,012,645)</u>
Net Assets at Beginning of Year	15,569,854	18,582,499
Net Assets at End of Year	<u>\$ 17,588,936</u>	<u>\$ 15,569,854</u>

Program receipts represent only 12 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as Motor Vehicle license and Gas Tax money, State Grants, Zoning permits and inspection fees, Cell Tower and Franchise fees, and charges for Emergency Medical Services provided by the fire department.

General receipts represent 88 percent of the Township's total receipts, and of this amount 95 percent are property and other local taxes. Grants and entitlements not restricted to specific programs make up 4 percent of total receipts, and include revenue from the State of Ohio (i.e. Local Government Funds, Estate Tax, Liquor and Cigarette permit fees, etc.). Other receipts are insignificant and somewhat unpredictable receipt sources.

Liberty Township, Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Government activities. These include the costs of the Administrative, Fiscal Office, and Planning & Zoning department. The payments made to Lakota Local Schools for reimbursement of RID/TIF revenue is also included in this figure. These costs represent 45 percent of the total disbursements.

Public safety represents the costs of police and fire protection, which makes up 34 percent of the total disbursements. Public Works includes the costs for the Road & Bridge Fund as well as the lighting districts, and makes up 8 percent of the total disbursements. The Capital Outlay includes large equipment purchases, building improvements, and any large projects completed by various departments, which makes up 6 percent of the total disbursements. Health includes the cost to maintain the Springhill Cemetery, and the Conservation-Recreation includes the personnel and maintenance costs for all of the township parks.

Governmental Activities

If you look at the Statement of Activities - Modified Cash Basis on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for the protection and safety of the residents, both police and fire, which account for \$6,321,034 and 34 percent of all governmental disbursements, respectively. General Government also represents a significant cost, approximately 45 percent. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The Net (Disbursements) Receipts column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
General Government	\$ 8,434,930	\$ (8,069,357)	\$ 6,556,341	\$ (6,224,176)
Public Safety	6,321,034	(5,073,188)	6,141,231	(5,090,701)
Public Works	1,443,205	(561,719)	1,173,364	(322,701)
Health	25,162	(16,422)	33,196	(23,521)
Conservation-Recreation	233,145	(231,833)	235,395	(233,949)
Capital Outlay	1,153,026	(1,153,026)	4,093,595	(4,093,595)
Debt Service:				
Principal Retirement	560,000	(560,000)	583,141	(583,141)
Interest and Fiscal Charges	484,196	(484,196)	510,430	(510,430)
Total Expenses	<u>\$ 18,654,698</u>	<u>\$ (16,149,741)</u>	<u>\$ 19,326,693</u>	<u>\$ (17,082,214)</u>

The dependence upon property tax and intergovernmental receipts is apparent as over 87 percent of governmental activities are supported through these general receipts.

The Government's Funds

Information about the Township's major funds starts on page 11. These funds are accounted for using the modified cash basis of accounting. Total governmental funds had receipts of \$20,673,780. Total disbursements were \$18,654,698.

The fund balance of the General Fund increased \$562,912 from the prior year. This is largely due to the Woodland View bond debt service that was paid off in 2009. There was also an increase in the Joint Economic Development District (JEDD) revenue, as well as two new revenue sources for snow plowing fees of undedicated roads and park shelter rental fees.

The fund balance of the Fire Fund decreased \$795,630 from the prior year. This is largely due to a decrease in the property tax revenue that was received this year versus prior year. The prior year tax revenue included delinquency tax revenue. There was a decrease in overall expenditures; however transfers out to pay debt service on the new fire station increased. This is due to the prior year debt service being partially subsidized from remaining construction funds, and this year the entire debt service was funded by the Fire Fund.

The fund balance of the Police Fund increased \$409,206 from the prior year. This is largely due to an increase in property tax revenue. In 2009 a new levy was passed that increased the property tax revenue stream. This new revenue amount was received for the first time in 2010. The overall expenditures decreased approximately 5 percent over the prior year.

General Fund Budgeting Highlights

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

The General Fund's final disbursements were budgeted at \$1,922,155 while the actual disbursements came in at \$1,287,903, which put the Township under budget by 37 percent. The disbursements were less in all categories with general government, and transfers out having the most significant variance. The final budget for general government disbursements was higher than the original budget, which was largely due to legal expenses incurred. The General Fund's original and final receipts were budgeted at \$1,857,837 while the actual receipts came in higher at \$2,119,430. The receipts were higher than budgeted due to additional property and other local tax (JEDD) revenue, intergovernmental, interest, and licenses, permits and fees revenue received compared to budget.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2010, the Township's outstanding debt totaled \$11,515,000 issued for various reasons. For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

Liberty Township, Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited funding. We rely heavily on local government funds and levies. The Township has eleven Residential Incentive Districts and one Tax Incremental Financing District to assist with capital improvement projects. The Township also has the Joint Economic Development District income tax, which will also help to fund necessary projects to improve the Township within the JEDD area. The Township is financially sound with sufficient reserves set aside to aid in emergency expenditure needs.

Contacting the Government's Financial Management

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

Liberty Township
Butler County, Ohio
Statement of Net Assets - Modified Cash Basis
December 31, 2010

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 8,615,607
Investments	8,973,329
	\$ 17,588,936
 Net Assets	
Restricted for:	
Capital Projects	4,827,853
Debt Service	866,813
Public Safety	5,646,977
Public Works	1,562,094
Other Purposes	121,614
Unrestricted	4,563,585
<i>Total Net Assets</i>	\$ 17,588,936

Liberty Township
Butler County, Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2010

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
General Government	\$ 8,434,930	\$ 365,573	\$ -	\$ -	\$ (8,069,357)
Public Safety	6,321,034	316,079	931,767	-	(5,073,188)
Public Works	1,443,205	484,109	397,377	-	(561,719)
Health	25,162	8,740	-	-	(16,422)
Conservation-Recreation	233,145	1,312	-	-	(231,833)
Capital Outlay	1,153,026	-	-	-	(1,153,026)
Debt Service:					
Principal Retirement	560,000	-	-	-	(560,000)
Interest and Fiscal Charges	484,196	-	-	-	(484,196)
Total	\$ 18,654,698	\$ 1,175,813	\$ 1,329,144	\$ -	\$ (16,149,741)
General Receipts					
Property and Other Local Taxes Levied for:					
					\$ 11,210,374
					5,368,836
					639,019
					730,459
					62,651
					157,484
					<u>18,168,823</u>
					2,019,082
					<u>15,569,854</u>
					<u>\$ 17,588,936</u>

Liberty Township
Butler County, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2010

	General	Fire Fund	Police Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 1,398,456	\$ 478,798	\$ 1,065,464	\$ 5,672,889	\$ 8,615,607
Investments	3,165,129	2,089,000	1,359,500	2,359,700	8,973,329
	<u>\$ 4,563,585</u>	<u>\$ 2,567,798</u>	<u>\$ 2,424,964</u>	<u>\$ 8,032,589</u>	<u>\$ 17,588,936</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$ 94,875	\$ 1,200	\$ 185,000	\$ 71,243	\$ 352,318
Unreserved:					
General Fund	4,468,710	-	-	-	4,468,710
Special Revenue Funds	-	2,566,598	2,239,964	2,266,680	7,073,242
Debt Service Fund	-	-	-	866,813	866,813
Capital Projects Funds	-	-	-	4,827,853	4,827,853
<i>Total Fund Balances</i>	<u>\$ 4,563,585</u>	<u>\$ 2,567,798</u>	<u>\$ 2,424,964</u>	<u>\$ 8,032,589</u>	<u>\$ 17,588,936</u>

Liberty Township
Butler County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Fire Fund	Police Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 986,595	\$ 3,462,149	\$ 1,906,687	\$ 10,862,798	\$ 17,218,229
Charges for Services	-	-	-	302,450	302,450
Licenses, Permits and Fees	236,704	7,629	6,000	113,543	363,876
Fines and Forfeitures	15,326	-	-	-	15,326
Intergovernmental	730,459	599,972	331,795	397,377	2,059,603
Special Assessments	2,648	-	-	481,461	484,109
Earnings on Investments	61,648	-	-	1,003	62,651
Miscellaneous	86,050	41,835	-	39,651	167,536
Total Receipts	2,119,430	4,111,585	2,244,482	12,198,283	20,673,780
Disbursements					
Current:					
General Government	912,696	-	-	7,522,234	8,434,930
Public Safety	-	4,422,988	1,825,833	72,213	6,321,034
Public Works	-	-	-	1,443,205	1,443,205
Health	18,189	-	-	6,973	25,162
Conservation-Recreation	233,145	-	-	-	233,145
Capital Outlay	28,998	78,183	9,443	1,036,402	1,153,026
Debt Service:					
Principal Retirement	-	-	-	560,000	560,000
Interest and Fiscal Charges	-	-	-	484,196	484,196
Total Disbursements	1,193,028	4,501,171	1,835,276	11,125,223	18,654,698
Excess of Receipts Over (Under) Disbursements	926,402	(389,586)	409,206	1,073,060	2,019,082
Other Financing Sources (Uses)					
Sale of Bonds	-	-	-	-	-
Sale of Notes	-	-	-	-	-
Transfers In	3,895	-	-	1,908,170	1,912,065
Transfers Out	(406,795)	(406,044)	-	(1,099,226)	(1,912,065)
Advances In	39,410	-	-	-	39,410
Advances Out	-	-	-	(39,410)	(39,410)
Total Other Financing Sources (Uses)	(363,490)	(406,044)	-	769,534	-
Net Change in Fund Balances	562,912	(795,630)	409,206	1,842,594	2,019,082
Fund Balances at Beginning of Year	4,000,673	3,363,428	2,015,758	6,189,995	15,569,854
Fund Balances at End of Year	\$ 4,563,585	\$ 2,567,798	\$ 2,424,964	\$ 8,032,589	\$ 17,588,936

Liberty Township
Butler County, Ohio
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
December 31, 2010

	Private Purpose Trust
Assets	
Investments	<u>\$ 13,185</u>
Net Assets	
Other Purposes	<u>\$ 13,185</u>

Liberty Township
Butler County, Ohio
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
For the Year Ended December 31, 2010

	<u>Private Purpose Trust</u>
Additions	
Interest	\$ 28
Deductions	
	<u>-</u>
Change in Net Assets	28
Net Assets at Beginning of Year	<u>13,157</u>
Net Assets at End of Year	<u>\$ 13,185</u>

Liberty Township
Butler County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 926,587	\$ 926,587	\$ 986,595	\$ 60,008
Licenses, Permits and Fees	146,000	146,000	236,704	90,704
Fines and Forfeitures	12,500	12,500	15,326	2,826
Intergovernmental	677,700	677,700	730,459	52,759
Special Assessments	2,300	2,300	2,648	348
Earnings on Investments	30,000	30,000	61,648	31,648
Miscellaneous	62,750	62,750	86,050	23,300
<i>Total Receipts</i>	<u>1,857,837</u>	<u>1,857,837</u>	<u>2,119,430</u>	<u>261,593</u>
Disbursements				
Current:				
General Government	1,459,380	1,534,580	925,971	608,609
Health	20,000	18,300	18,189	111
Conservation-Recreation	255,775	255,275	233,320	21,955
Capital Outlay	134,000	130,000	110,423	19,577
<i>Total Disbursements</i>	<u>1,869,155</u>	<u>1,938,155</u>	<u>1,287,903</u>	<u>650,252</u>
<i>Excess of Receipts Over Disbursements</i>	(11,318)	(80,318)	831,527	911,845
Other Financing Uses				
Transfers In	-	-	3,895	3,895
Transfers Out	(535,781)	(457,781)	(406,795)	50,986
Advances In	-	-	39,410	39,410
<i>Total Other Financing Sources (Uses)</i>	<u>(535,781)</u>	<u>(457,781)</u>	<u>(363,490)</u>	<u>94,291</u>
<i>Net Change in Fund Balance</i>	(547,099)	(538,099)	468,037	1,006,136
<i>Fund Balance at Beginning of Year</i>	3,984,420	3,984,420	3,984,420	-
Prior Year Encumbrances Appropriated	16,253	16,253	16,253	-
<i>Fund Balance at End of Year</i>	<u>\$ 3,453,574</u>	<u>\$ 3,462,574</u>	<u>\$ 4,468,710</u>	<u>\$ 1,006,136</u>

Liberty Township
Butler County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
Fire Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$ 3,834,768	\$ 3,834,768	\$ 3,462,149	\$ (372,619)
Licenses, Permits and Fees	5,000	5,000	7,629	2,629
Intergovernmental	473,800	473,800	599,972	126,172
Miscellaneous	-	-	41,835	41,835
<i>Total Receipts</i>	<u>4,313,568</u>	<u>4,313,568</u>	<u>4,111,585</u>	<u>(201,983)</u>
Disbursements				
Public Safety	4,668,193	4,605,093	4,424,188	180,905
Capital Outlay	117,000	122,469	78,183	44,286
<i>Total Disbursements</i>	<u>4,785,193</u>	<u>4,727,562</u>	<u>4,502,371</u>	<u>225,191</u>
<i>Excess of Receipts Under Disbursements</i>	(471,625)	(413,994)	(390,786)	23,208
Other Financing Uses				
Transfers Out	(411,000)	(411,000)	(406,044)	4,956
<i>Net Change in Fund Balance</i>	(882,625)	(824,994)	(796,830)	28,164
<i>Fund Balance at Beginning of Year</i>	3,361,607	3,361,607	3,361,607	-
Prior Year Encumbrances Appropriated	1,821	1,821	1,821	-
<i>Fund Balance at End of Year</i>	<u>\$ 2,480,803</u>	<u>\$ 2,538,434</u>	<u>\$ 2,566,598</u>	<u>\$ 28,164</u>

Liberty Township
Butler County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Police Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$ 2,089,084	\$ 2,089,084	\$ 1,906,687	\$ (182,397)
Licenses, Permits and Fees	5,000	5,000	6,000	1,000
Intergovernmental	258,360	258,360	331,795	73,435
Miscellaneous	-	-	-	-
<i>Total Receipts</i>	<u>2,352,444</u>	<u>2,352,444</u>	<u>2,244,482</u>	<u>(107,962)</u>
Disbursements				
Public Safety	2,119,500	2,119,500	2,010,832	108,668
Capital Outlay	10,000	10,000	9,444	556
<i>Total Disbursements</i>	<u>2,129,500</u>	<u>2,129,500</u>	<u>2,020,276</u>	<u>109,224</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>222,944</u>	<u>222,944</u>	<u>224,206</u>	<u>1,262</u>
<i>Net Change in Fund Balance</i>	222,944	222,944	224,206	1,262
<i>Fund Balance at Beginning of Year</i>	2,015,758	2,015,758	2,015,758	-
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Fund Balance at End of Year</i>	<u>\$ 2,238,702</u>	<u>\$ 2,238,702</u>	<u>\$ 2,239,964</u>	<u>\$ 1,262</u>

Note 1 – Reporting Entity

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

Primary Government

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

Component Units

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles (see Note 7).

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

Note 2 – Summary of Significant Accounting Policies

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

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.

Note 2 – Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

General Fund: This fund is the general operating fund and accounts 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.

Fire Fund: This fund accounts for proceeds from property taxes received for fire department and life squad protection and emergency services.

Police Fund: This fund accounts for proceeds from property taxes used for police department operations and protection services.

Note 2 – Summary of Significant Accounting Policies (continued)

The Road and Bridge Fund plays an integral role in the governmental funds, however it does not fall under the parameters of a major governmental fund for the Township. The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

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

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

Basis of Accounting

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

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

Budgetary Process

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township 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 certificate of estimated resources in effect at the time final appropriations were passed by the Township Trustees.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

Note 2 – Summary of Significant Accounting Policies (continued)

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 Trustees during the year.

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."

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2010, the Township invested in US Government Securities, which consisted of Federal Home Loan Bank Notes and Discount Notes, Federal National Mortgage Association Discount Notes, Federal Home Loan Mortgage Corporation Notes and Discount Notes, United States Treasury Bills, and First American Treasury Money Market Fund. The Township's U.S. Government Securities investment is recorded at the amount reported by RBC on December 31, 2010.

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 2010 was \$61,648, which includes \$40,308 assigned from other Township funds.

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.

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits. The Township pays both the employer and employee portion of the Administrator's pension benefits as approved by the Township Trustees.

Long-Term Obligations

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

Liberty Township, Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 2 – Summary of Significant Accounting Policies (continued)

Net Assets

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

Fund Balance Reserves

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

Interfund Transactions

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

Note 3- 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, Fire and Police 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 modified cash basis are outstanding year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

	General	Fire	Police
Modified Cash Basis	\$ 562,912	\$ (795,630)	\$ 409,206
Adjustment for Encumbrances	(94,875)	(1,200)	(185,000)
Budget Basis	\$ 468,037	\$ (796,830)	\$ 224,206

Note 4 – Deposits and Investments

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

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

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

Liberty Township, Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 4 – Deposits and Investments (continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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);
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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

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

Deposits

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.

Liberty Township, Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 4 – Deposits and Investments (continued)

Investments

As of December 31, 2010, the Township had the following investments:

Title	Carrying Value	< 1 Year
Federal Home Loan Bank - notes	\$ 3,151,239	\$ 2,626,239
Federal Home Loan Bank - discount notes	499,444	499,444
Federal Home Loan Mortgage Corporation - notes	536,149	-
Federal Home Loan Mortgage Corporation - discount notes	1,273,013	1,273,013
Federal National Mortgage Association - notes	1,034,781	-
Federal National Mortgage Association - discount notes	1,919,325	1,919,325
United States Treasury Bills	499,905	499,905
Cash and Equivalents	59,473	59,473
	<u>\$ 8,973,329</u>	<u>\$ 6,877,399</u>

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

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

Concentration of Credit Risk – The Township places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The Township's investments in The Federal Home Loan Bank Notes and Discount Notes, The Federal Home Loan Mortgage Corporation Notes and Discount Notes, and The Federal National Mortgage Association Notes and Discount Notes represent 41 percent, 20 percent, and 33 percent, respectively, of the Township's total investments.

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2010 for real and public utility property taxes represents collections of the 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) is for 2010 taxes.

2010 real property taxes are levied after October 1, 2010 on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2010 real property taxes are collected in and intend to finance 2011.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

Liberty Township, Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 5 – Property Taxes (continued)

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value.

2010 public utility property taxes which became a lien on December 31, 2009 are levied after October 1, 2010, and are collected in 2011 with real property taxes.

Tangible personal property tax revenue received during 2010 (other than public utility property tax) represents the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, 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, 2010, was \$11.59 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential	\$ 751,450,370
Agricultural	13,572,360
Commercial/Industrial/Mineral	67,173,410
<u>Public Utility Property</u>	
Real	89,840
Personal	15,082,480
Total Assessed Value	<u>\$ 847,368,460</u>

Note 6 – Interfund Receivables/Payables

There were no interfund balances as of December 31, 2010.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2010, the Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP.) Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Liberty Township, Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 7 – Risk Management (continued)

Information provided in this note is the latest information available. The coverage provided is as follows:

Type of Coverage	Amount of Coverage
Legal Liability	\$4,000,000 per occurrence, \$0 deductible
Automobile Liability	\$4,000,000 per occurrence, \$0 deductible
Wrongful Acts	\$4,000,000 per occurrence, \$1,000 deductible
Automobile Physical Damage	Various
Property	Various

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$13,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to the annual aggregate limit of \$10,000,000.

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pools.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009:

	2010	2009
Assets	\$ 35,855,252	\$ 38,928,088
Liabilities	10,664,724	12,880,766
Net Assets - unrestricted	<u>\$ 25,190,528</u>	<u>\$ 26,047,322</u>

Note 7 – Risk Management (continued)

At December 31, 2010 and 2009, respectively, liabilities noted above include approximately \$9.9 million and \$12.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$9.5 million and \$11.5 million of unpaid claims to be billed to 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims is approximately \$87,608.

Based on discussions with OTARMA the expected rates charged by OTARMA to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the years ending December 31, 2010 and 2009 were \$43,804 and \$38,875, respectively.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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 obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Plan Description – The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit.

Member contributions, the investment of which is self-directed by the members, 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 Pension 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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety

Note 8 – Defined Benefit Pension Plan (continued)

employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The Township's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Township's contribution was 17.87 percent of covered payroll.

The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The Township's required contributions for pension obligations to the traditional pension and combined plans for the year ended December 31, 2010, 2009, and 2008 were \$108,046, \$93,699, and \$89,727 respectively. The full amount has been contributed for 2010, 2009 and 2008. Contributions to the member-directed plan for 2010 were \$3,945 made by the Township and \$2,818 made by plan members.

Ohio Police and Fire Pension Fund

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

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 17.25 percent of covered payroll for firefighters.

The Township's contributions to OP&F for the years ending December 31, 2010, 2009, and 2008 were \$471,811, \$429,829, and \$268,473 respectively. The full amount has been contributed for 2010, 2009, and 2008.

Note 9 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

Note 9 – Post-Employment Benefits (continued)

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries.

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

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

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$62,393, \$67,862, and \$89,727, respectively; 100 percent has been contributed for 2009, 2008, and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Note 9 – Post-Employment Benefits (continued)

Ohio Police and Fire Pension Fund

Plan Description – The Township contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts: one for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township's contributions to OP&F which were allocated to fund postemployment healthcare benefits for firefighters were \$135,557 for the year ended December 31, 2010, \$120,838 for the year ended December 31, 2009, and \$105,055 for the year ended December 31, 2008. The full amount has been contributed for 2009, 2008, and 2007.

Liberty Township, Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 10 – Debt

A summary of the Township's debt activity for the year ended December 31, 2010, follows:

Governmental Activities	Interest Rates	Balance as of 12/31/09	Additions	Reductions	Balance as of 12/31/10	Due in one year
General Obligation Bonds						
Road Garage	Various	\$ 970,000	\$ -	\$ 70,000	\$ 900,000	\$ 70,000
Fire Station #113	Various	1,540,000	-	85,000	1,455,000	85,000
Woodland View Park	4.0%-4.4%	680,000	-	85,000	595,000	90,000
747/Princeton Intersection	3.25%-4.25%	2,045,000	-	70,000	1,975,000	75,000
Kyles Station/St. Rt. 747 Intersection	3.25%-4.25%	3,135,000	-	110,000	3,025,000	110,000
Salt Storage Facility	3.25%-4.25%	295,000	-	10,000	285,000	10,000
Fire Station #111	3.25%-4.25%	3,410,000	-	130,000	3,280,000	130,000
Total General Obligation Bonds		\$ 12,075,000	-	\$ 560,000	\$ 11,515,000	\$ 570,000

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

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

General Obligation Bonds		
Year	Principal	Interest
2011	\$ 570,000	\$ 464,801
2012	595,000	443,955
2013	620,000	421,680
2014	650,000	398,368
2015	675,000	372,937
2016-2020	3,290,000	1,462,434
2021-2025	2,960,000	795,383
2026-2029	2,155,000	211,075
Totals	\$ 11,515,000	\$ 4,570,633

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2010, were an overall debt margin of \$76,598,821 and an unvoted debt margin of \$58,082,630.

Liberty Township, Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2010

Note 11 – Interfund Transfers

During 2010, the following transfers were made:

Transfers From:	Transfers to:	
	General	Other Governmental
General	\$ -	\$ 406,795
Fire	-	406,044
Other Governmental	3,895	1,095,331
	\$ 3,895	\$ 1,908,170

Transfers From/To Other Funds

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to use unrestricted receipts collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers to the Other Governmental Funds are related to the transfer of receipts for the principal and interest payments for required debt service payments.

Advances From/To Other Funds

The advance to the General Fund is related to the 747/Princeton Road TIF (Tax Increment Financing). The amount advanced back to the General Fund was used to pay for debt service in the prior year, and was paid back in the current year when the TIF revenue was received.

Note 12- Public Entity Risk Pool

Ohio Township Association Risk Management Authority

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool. For more information on OTARMA, see Note 7.

Note 13 – Contingent Liabilities

The Township, as of December 31, 2010, had one pending litigation. Although management cannot presently determine the outcome, they believe the resolution of these matters will not materially adversely affect the Township's financial condition.

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

To the Township Trustees
Liberty Township, Butler County, Ohio



We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Butler County, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the Liberty Township, Butler County, Ohio's basic financial statements and have issued our report thereon dated December 15, 2011. 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 Liberty Township, Butler County, Ohio'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 of Liberty Township, Butler County, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Liberty Township, Butler County, Ohio's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Liberty Township, Butler County, Ohio'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Liberty Township, Butler County, Ohio, in a separate letter dated December 15, 2011.

This report is intended solely for the information and use of management, Township Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'CSA'.

December 15, 2011

CERTIFIED PUBLIC ACCOUNTANTS

4705 Lake Forest Drive

Cincinnati, Ohio 45242

513/483.6699 Fax: 513.483.6690

800/378.8606



**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010
FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

We noted no findings during our testing for the year ended December 31, 2010.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2010

There were no findings for the year ended December 31, 2009.

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Dave Yost • Auditor of State

LIBERTY TOWNSHIP

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 8, 2012**